Aegis Group plc Annual Report and Accounts 2011

AEGIS

Carat
Vizeum
Isobar
iProspect
Posterscope
Aztec

VISION

RE-INVENTING THE WAY BRANDS ARE BUILT

www.aegisplc.com/annualreport

AEGIS GROUP IS THE WORLD'S LEADING FOCUSED MEDIA AND DIGITAL COMMUNICATIONS SPECIALIST.

→ **WHO** WE ARE...

There are 12,000 of us in five continents and 24 time zones pioneering and delivering the most effective media and digital communications solutions for our clients.

Our work

Ray-Ban / page 14 Adidas Originals / page 16 Bose / page 18 Nivea / page 20

→ WHAT WE DO...

We help clients communicate and build relationships with consumers around their products and brands.

Coca-Cola / page 22

→

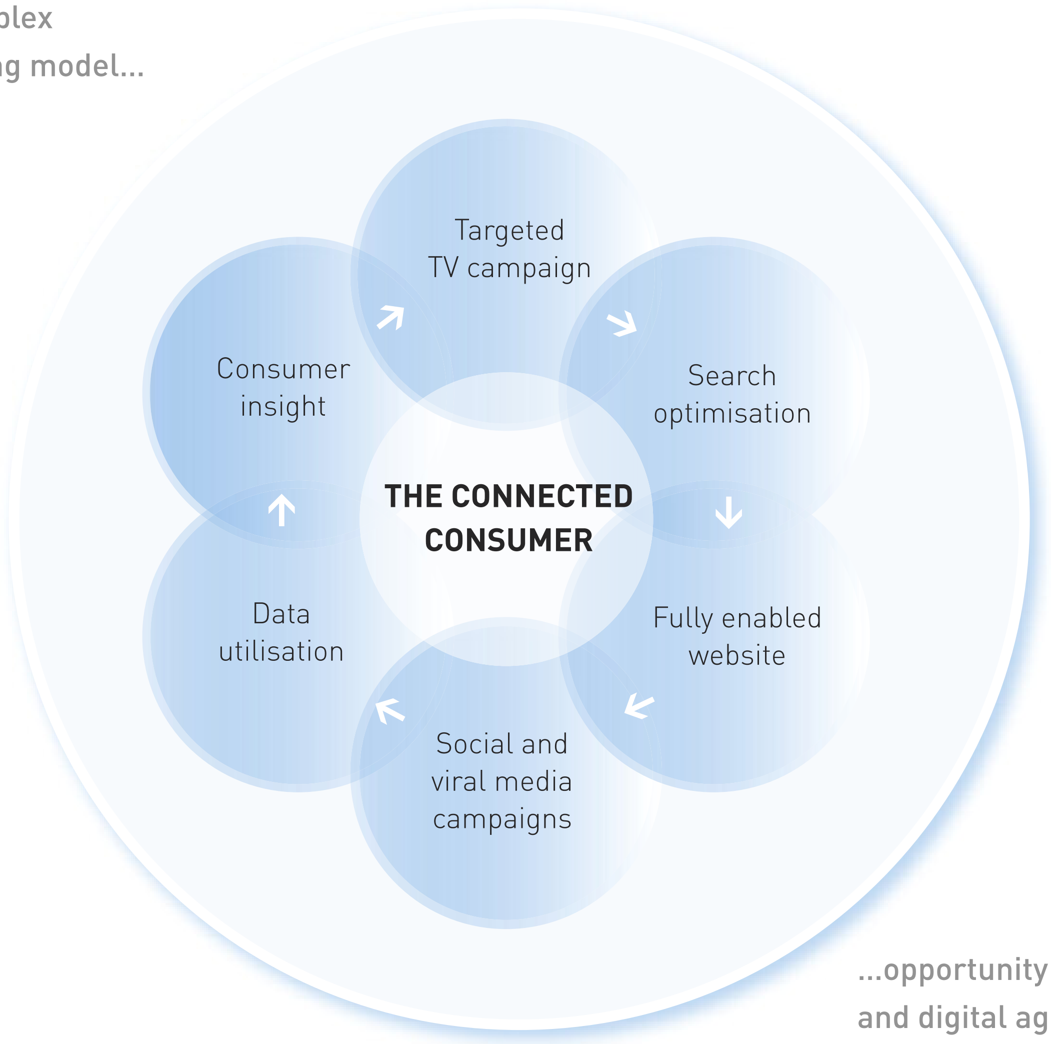
AN INCREASINGLY COMPLEX ADVERTISING AND MEDIA ENVIRONMENT...

Consumers are more connected, through a range of devices, than ever before. The era of media convergence is presenting many opportunities for the advertising and media industry and a new, complex media eco-system.

→ The new advertising and media model

– The consumer journey in the converging media environment

New complex advertising model...



...opportunity for media and digital agencies.

→ IMPLICATIONS FOR ADVERTISERS

- → Advertising is no longer discretionary in a converging media environment
  - – digital helps to measure the success of campaigns and improves understanding of consumer behaviour
- → Requires greater degree of specialisation from agencies, who can develop focused planning & buying strategies for clients across a range of media
- → Clients require independent advice from agencies
  - – with a specialist and integrated approach

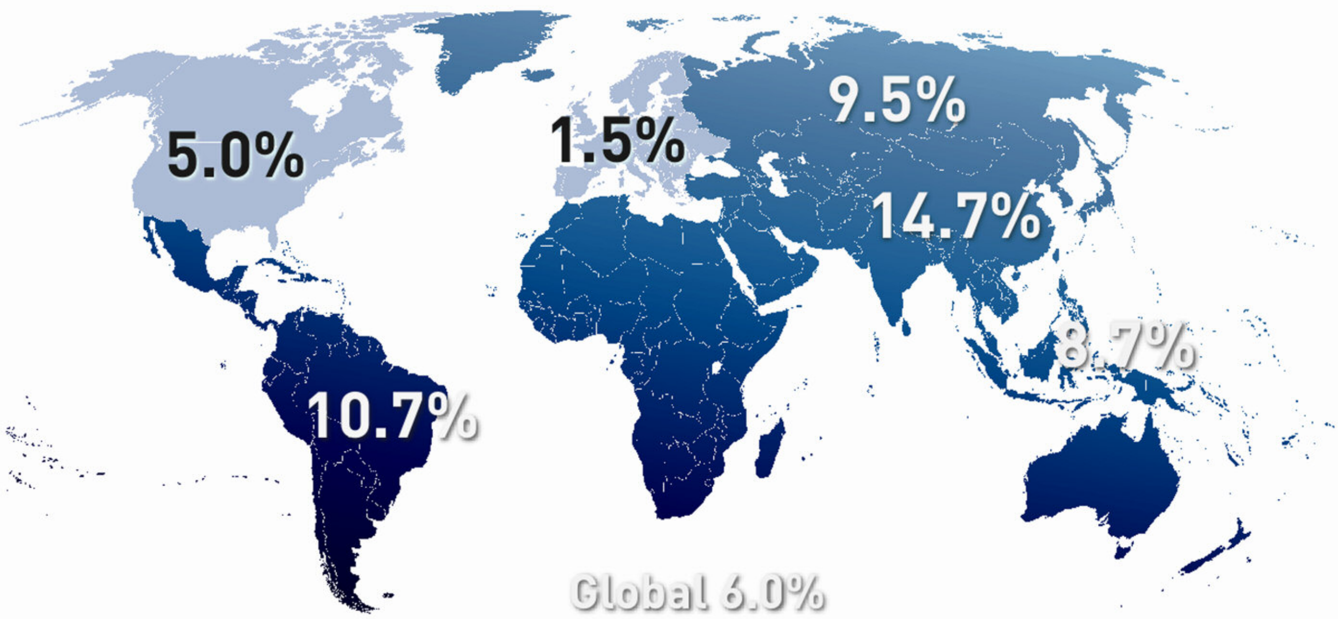
Aegis Media is the world's leading focused media and digital communications specialist...

employing over 12,000 people in over 80 countries around the world.

...IN THE CONTEXT OF A TWO SPEED WORLD

with BRIC markets growing quickly and more mature markets growing at a relatively slower pace...

2012 ADSPEND GROWTH FORECASTS*



* Source: Carat, March 2012

Growth in a convergent world...

BRIC (Brazil, Russia, India and China) economies are key to global growth, but the US is still important, due to its share of global advertising spend.

BRIC economies are expected to contribute nearly 50% of global advertising growth over the next four years...

with China now the world's second largest advertising market.

OUR STRATEGY AND APPROACH

RE-INVENTING THE WAY BRANDS ARE BUILT...

→ with a unique exposure to the converging media environment...

- Unique product offering of one P&L and operating model per market:
  - With integrated insight tools and planning processes
  - Wholly differentiated from peer group
- Integrated and specialist approach, based on independent advice
- World class global network offers scale, reach and range of capabilities

→ driven by a focused strategy, supported by targeted acquisitions, to...

- Increase our exposure to faster growing regions
- Grow our digital profile and capability
- Broaden our service offering across all our clients
- Grow our international client and new business profile
- Strengthen our leading position in the top 20 markets, in particular China and the US

→ ...with a product offering delivered through our five network brands

Carat / Vizeum / Isobar / iProspect / Posterscope

Carat	→ **Carat** is the world's largest independent media communications company, present in over 80 countries across the world.	→ **Presence** / 82 countries **Employees** / 4,700 worldwide **Major Clients** / General Motors Co, Diageo, Disney
Vizeum	→ **Vizeum** was created for a new era of media and exists to step-change the effectiveness of clients' communications.	→ **Presence** / 36 countries **Employees** / 900 worldwide **Major Clients** / Coca-Cola, Panasonic, Total
isobar	→ **Isobar** is the world's first global digital network, and one of the largest; Isobar connects brands with their fans and customers.	→ **Presence** / 32 countries **Employees** / 2,400 worldwide **Major Clients** / Kellogg's, Adidas, Nokia
iProspect	→ **iProspect**, a leading global digital performance agency focusing on search marketing.	→ **Presence** / 35 countries **Employees** / 1,200 worldwide **Major Clients** / Procter & Gamble, HSBC, Sony
Posterscope	→ **Posterscope**: understanding the connected consumer and how they behave out-of-home.	→ **Presence** / 20 countries **Employees** / 800 worldwide

Aztec	→ **Aztec**, a leading provider of scan data services to consumer packaged goods retailers and manufacturers, is also part of Aegis Group but operates separately from Aegis Media.	→ **Presence** / 10 countries **Employees** / 450 worldwide

OUR PERFORMANCE IN 2011

Operational highlights of 2011

- Group organic revenue growth of 9.9% (2010: 5.3%), including 12.0% in fourth quarter
- Group underlying operating margin of 17.4% (2010: 16.1%)
- Strong performances from digital, faster-growing regions and North America
- Record-equalling year in net new business, with $2.7 billion in billings (2010: $2.0 billion)
- Aegis now a unique, scaled media and digital communications specialist, following sale of Synovate for enterprise value of £525m
- Continued focus on acquisitions, with around £75m spent in initial consideration on 18 bolt-on acquisitions and investments in 2011
- Appointment as global strategic media partner by General Motors Co. ("GM") in January 2012, with anticipated annual global media spend of $3 billion
- Proposed total dividend (excluding special dividend) increased to 3.20p, from 2.75p in 2010, including proposed final dividend of 2.01p
- Expect to deliver continued sector-leading organic revenue growth and further improvement in underlying operating profit in 2012

Summary table of results

Retained Group £m	2011	2010	Change %	Constant currency %
Group* revenue	**1,135.0**	941.0	20.6	19.6
Group underlying results**				
– operating profit	**197.4**	151.1	30.6	29.4
– pre-tax profit	**161.8**	122.3	32.3	30.7
– diluted eps	**10.1p**	7.8p	29.5	27.8
– diluted eps (pro forma)***	**10.7p**	8.6p	24.4	23.0
Group statutory results				
– operating profit	**145.8**	65.9	121.2	118.9
– pre-tax profit	**106.4**	33.5	217.6	211.7
– diluted eps	**6.5p**	1.6p	306.3	306.3
Total dividend per share (including special dividend)‡†	**20.28p**	2.75p	n/a	n/a
Total dividend per share (including special dividend)†	**3.20p**	2.75p	n/a	n/a

* All references to Group in the Business and Financial reviews in this report relate to the Retained Group, which comprises Aegis Media, Aztec and the Corporate centre
** Throughout this commentary, results are stated on an underlying basis unless otherwise indicated. Percentage movements are given at reported exchange rates unless otherwise stated
*** Incorporates a full year's impact on the diluted number of shares in issue of the share consolidation conducted in the fourth quarter of 2011
‡ Total dividend includes interim and special dividend adjusted for the share consolidation for 2011
† 2010 dividend per share is based on a pre-consolidation share count, so is not directly comparable to 2011 dividend per share.

CHAIRMAN'S STATEMENT

John Napier
Chairman, Aegis Group plc

"We believe the strategic and operational benefits from being purely focused on media and digital activities are significant"

"We are confident that we are moving in the right strategic and operational direction"

It has been a busy year for your Board and Company and a successful one. In his first full year our capable Chief Executive, Jerry Buhlmann, has planned and executed a series of acquisitions, business development and strategic reshaping of your Company into a focused media and digital service provider with an enhanced global footprint.

"Given our confidence in the Company's future prospects, the Board maintains a progressive dividend policy"

At the same time we have continued to add to our range of products and services and maintain significant new business and organic growth momentum. In short, the major achievements include:

- Increasing the rate of group organic revenue growth on a "like for like" basis, up to 9.9% in the full year compared to 2010
- Achieving new business wins at record levels in 2011
- Announcing in January 2012 our appointment as the global media partner for General Motors Co, a major business win
- Integrating and delivering the benefits of the Mitchell acquisition in Australia, completed in November 2010
- Continuing our programme of geographic in-fill and product and service innovations by related acquisitions, spending around £75m in initial consideration with a balance dependent on results achieved
- Successfully selling our Synovate market research business, allowing us to return £200m to shareholders via a special dividend and further strengthening our balance sheet.

In terms of overall 2011 financial performance we have not been immune from the varying economic circumstances of the global economy. For Aegis, this broadly divides into three geographic sectors – faster-growing regions, North America and the traditional Western European trading block, of which the UK is part. In general, we have:

- Continued to increase our exposure to faster-growing regions and North America
- Further increased the proportion of our revenues from digital activities
- Across EMEA offset the effect of below prior year performances in certain Western European markets with other improved regional results to increase our overall level of profit.

Given the sale of Synovate and our focus on media and digital solutions it is appropriate to restate the 2010 results on what is called for 2011 a "Retained Group" basis. This allows our 2010 performance to be made comparable to 2011 and will be the ongoing basis for the business in the future. On that basis, and in challenging global market circumstances, we have performed very well. The detailed results are set out more fully in the Chief Executive's, Business and Financial Review sections of this report. To give some headline numbers on underlying results:

- Group operating profit up 30.6%
- Pre-tax profit up 32.3%
- Diluted EPS up 29.5%.

We have also further strengthened our balance sheet position, despite acquisition spend of around £75m, due to the sale of Synovate. Our net debt position of £128.4m at year end improved from £331.3m at the end of 2010. We also remain comfortably within our financial covenants, with undrawn facilities totalling £450m at the end of the year.

There has been one Board change in the year with the retirement of Robert Philpott who was the Executive Director responsible for our Synovate market research business. Over the last three years Robert has done an outstanding job in difficult and demanding circumstances. In that time he was responsible for improving and developing Synovate into an attractive business asset. He retires from the Company with the best wishes of the Board for his future success on the basis of a job well done.

Going forward we believe the strategic and operational benefits from being purely focused on media and digital activities are significant. We will continue to push forward and accelerate our digital profile, service and new product capability across all regions. We plan to increase our exposure to faster-growing regions and North America.

Our new business success and growth is built on focusing on what our media and digital services clients need in changing economic, competitive and demanding markets in order to optimise expenditure and consumer response in a changing media world. Our strategy is further evidenced by the announcement made in February of the acquisition of Roundarch in North America. This acquisition will further add products and services and increase our digital profile.

Apart from revenue growth the scope for improved margins arises with changes in work mix and with an expected recovery in certain Western European operations. We have already announced the very significant new business award from General Motors which will come into effect in 2012. We have an expectation that underlying operating profit will improve further in 2012, subject to a necessary qualification that if there is further unexpected economic turbulence and instability it will be more difficult. Putting aside that consideration our outlook is to continue to grow relatively and outperform the market.

Given our confidence in the Company's future prospects, the Board maintains a progressive dividend policy and has recommended a total dividend of 3.20p per share for 2011, excluding the special dividend paid on 2 November 2011, compared to 2.75p in 2010. This dividend increase reflects the progression in our underlying pro forma diluted earnings per share in 2011.

In conclusion I would like to close by personally endorsing the thanks made to our clients and our people on behalf of the Board and the management team by the CEO. We remain dedicated to the concept of being the leading player in this global marketplace. We are confident that we are moving in the right strategic and operational direction. In the end, however, it is the recognition from our clients and their willingness to do business with us that will determine the success of our strategies and actions. Our clients, our people and our shareholders will continue to be our key focus.

John Napier
Chairman, Aegis Group plc

CHIEF EXECUTIVE'S REPORT

Jerry Buhlmann
Chief Executive Officer, Aegis Group plc

"In 2011, we delivered a strong performance, outperforming the markets in which we operate"

"Our performance is the result of the delivery of our focused strategy"

2011 was a year of significant progress for Aegis, from both a strategic and an operational performance perspective. We are now well placed to build on the significant momentum the business is already demonstrating.

"Momentum built up in 2011 has continued, and we are therefore optimistic about Aegis's prospects for 2012"

Strategically, the year saw a major structural development in the composition of the Group as we became a focused media and digital communications group, following the sale of the market research business, Synovate, in October 2011.

Operationally, we delivered a strong performance, outperforming the markets in which we operate, in spite of the fact that several of them were impacted by challenging macro-economic conditions. Aegis Media produced sector-leading organic growth, margin progression and a record-equaling year in net new business wins of $2.7 billion. This was delivered by a clear and well implemented strategy, creating positive momentum across our five global network brands within Aegis Media. An improved performance from Aztec, the retail data scan business, supporting Aegis Media, led to a strong set of financial results for 2011.

Our 2011 performance is the result of the delivery of our focused strategy. This strategy has delivered unrivalled exposure to media and digital, which now contributes 35% of Aegis Media's revenue (2010: 32%), with consistently increasing revenue contribution from faster growing regions and North America, which together now generate 50% of Aegis Media's revenue (2010: 43%).

The momentum achieved last year continues into 2012 with our appointment as the global media strategic partner for General Motors Co., the most significant new business win in Aegis's history. Following the GM appointment, which carries an anticipated annual global media spend of $3 billion, and our achievements in 2011, we expect 2012 to be another successful year for Aegis. We expect to deliver continued sector-leading organic revenue growth which we expect to convert into further margin progression and earnings enhancement for our shareholders over time.

Aegis Media uniquely positioned for convergent media environment / Our 2011 performance demonstrates the success of Aegis's focus as a scaled media and digital communications specialist, in the context of a rapidly evolving and increasingly complex advertising environment. This focus, supported by global coverage, enables us to help our clients to re-invent the way their brands are built.

To reflect the requirements of our clients, our five global network brands of Carat, Vizeum, Posterscope, Isobar and iProspect operate through one P&L and one operating model per country with a full range of integrated, and specialist, services.

Our approach is unique in the sector and is supported by market-leading insight tools and a fully embedded communications planning process, all of which aim to fulfil the following strategic objectives:

- Increase our exposure to faster-growing regions
- Grow our digital profile and capability
- Broaden our service offering across all of our clients
- Grow our international client and new business profile
- Strengthen our leading position in the top 20 markets, in particular China and the US.

Successfully delivering on our strategic objectives...

In 2011, we successfully delivered on the key metrics by which we measure our performance against these strategic objectives. Aegis Media:

- Broadened our exposure to faster-growing regions to a sector-leading 34%, from 26% in 2010
- Increased the proportion of our revenues from digital to a sector-leading 35%, from 32% in 2010
- Grew the proportion of our revenues from international clients to 33%, from 32% in 2010
- Outperformed our peer group in terms of organic revenue growth, with Aegis Media delivering organic revenue growth of 9.8% in 2011, compared to the peer group average of 5.8%
- Continued to improve margins, with Aegis Media's operating margin increasing to 19.5%, a 90 basis point improvement from 2010.

...demonstrated by strong financial results in 2011

The delivery of a strong set of financial results in 2011 was the direct consequence of our progress against these and other key metrics.

Revenue for the Group in 2011 was £1,135.0m, up 20.6% at reported rates and up 19.6% at constant currency.

Organic revenue growth for the year was 9.9% for the Group, mainly as a result of strong top line growth from our businesses in faster-growing regions and North America. Aegis Media delivered organic revenue growth of 9.8% for the year, and Aztec produced 11.3% organic revenue growth.

Group underlying operating profit was £197.4m, an increase of 30.6% from the prior year at reported rates, and 29.4% at constant currency. The Group achieved an increase in underlying operating margin of 130 basis points at reported rates and at constant currency to 17.4% during 2011.

	Quarter				Half Year		Full Year
Group*	Q111	Q211	Q311	Q411	H111	H211	FY11
Organic revenue change %	10.1	6.1	11.2	12.0	7.8	11.7	9.9

* All references to Group in this report relate to the Retained Group, which comprises Aegis Media, Aztec and the corporate centre

CHIEF EXECUTIVE'S REPORT
(continued)

This margin improvement was assisted by our continued focus on top line growth and cost control. Whilst the business does demonstrate some elements of scalability, cost initiatives are essential to mitigate on-going staff cost pressure, principally driven by industry salary inflation and high employee turnover in some of the faster-growing regions. In addition, we are continuing to increase our headcount in North America, following our strong new business performance in this region over the last 18 months. Group overheads increased by 18.2% at constant currency during the year, with increases in underlying headcount, excluding the addition of employees brought into the business via acquisition, of 12.1%.

Underlying fully diluted earnings per share, on a pro forma basis to take account of last year's share consolidation, increased by 24.4% at reported rates and 23.0% at constant currency, to 10.7p from 8.6p in the prior year. This increase in earnings per share was supported by a reduction in our underlying effective tax rate in 2011.

A strong balance sheet position...

Our balance sheet position remains strong and we ended the year comfortably within our financial covenants, with undrawn available credit facilities totalling £450.0m.

Our cash position in the fourth quarter of 2011 improved following the sale of Synovate for an enterprise value of £525m. After a return of capital to shareholders of around £200m via a special dividend in November 2011, and following continued acquisition spend during the second half, net debt was £128.4m at the end of the year. This was an improved position from £393.3m at the end of the first half of 2011 and from £331.3m at the end of 2010, mainly as a result of the receipt of the Synovate sale proceeds.

...enables a continued focus on targeted acquisitions

The consequence of the strengthening of our balance sheet over the last two years has been a renewed focus on making acquisitions to support our growth strategy. This focus will continue and we expect to make further acquisitions which provide scale, in-fill and innovation, with a specific emphasis on faster growing regions, North America, and on digital businesses. All acquisition targets will continue to be evaluated against a range of strategic and investment criteria, with a view to providing top line growth, margin improvement and clear synergies.

In 2011, we spent around £75m in initial consideration on 18 small to medium-sized bolt-on acquisitions and investments in a range of different territories. These included MediaVest (Manchester) Ltd in the UK, Master Ad LLC and Ad O'clock LLC in Russia, Clickthinking Online (Pty) Ltd in South Africa, ICUC Social Media Moderation and Riber Sports Marketing Group Inc in North America, Filefix Co Ltd in Japan, pjure in Austria, Creative Media Services UAB in Lithuania and investments in Qualité Search Marketing in Norway as well as TigerSpike Pty Limited in Australia and Doosra in India.

Our focus on acquisitions continues in 2012. Earlier this month, we completed the acquisition of Roundarch, a leading digital agency in the US, for an initial consideration of $125m. This acquisition strengthens our digital capability in North America and, as a result, will move Aegis Media's digital revenue exposure towards 40%.

Aegis's acquisition strategy continues to be supported by a strong pipeline of potential targets, across a diverse range of geographies and product offerings which, combined with our proven track record of integration, will help to support us in delivering on our strategic objectives in the future.

Following an excellent start to 2012, we expect further performance progression / So far in 2012, our clients have continued to spend on marketing and advertising their products and brands, as they seek to gain market share and strengthen their market positions. We expect this trend to continue, helping to support the momentum of our business, which built up during 2011 with a record-equalling net new business performance last year.

This momentum has gained further traction in 2012 with our appointment as the global strategic media partner for General Motors Co., announced in January. This contract, the largest ever single media agency consolidation by a major global advertiser, is a landmark achievement for Aegis, demonstrating our ability to deliver integrated and specialist media and digital communications services on a global scale.

As a result, and following a strong start to the year by the Group, we are optimistic about Aegis's prospects for 2012. Despite continuing limited short term visibility and on-going macro-economic concerns, we expect to deliver continued sector-leading organic revenue growth in 2012.

Based on our expectations for organic revenue growth this year, and supported by the Group's continued momentum, we expect underlying operating profit to improve further in 2012.

Our people / Finally, I would like to thank all our clients and our people.

Our clients have been very supportive, giving us the confidence to deliver a market-leading product to assist them in making the most of the opportunities available in the rapidly-changing global advertising market.

Our people have shown dedication and loyalty, ultimately the key to ensuring that 2011 was such a successful year for Aegis. Their continued support is vital to the future success of the Group and is greatly appreciated by the Board and the management team.

We enter 2012 with a strong set of supportive international clients, the best talent in the market and an energised organisation focused on delivering great work for our clients and a strong performance for our shareholders.

Jerry Buhlmann
Chief Executive Officer, Aegis Group plc

BUSINESS REVIEW

Aegis Media's performance continues to be driven by strong positive momentum

Headlines /

- Organic revenue growth of 9.8% in 2011, including 11.9% in the fourth quarter
- At constant currency, operating margin increased 90 basis points to 19.5%, with operating profit increasing 25.8% to £208.5m, supported by strong profit improvement in the Americas and APAC
- Businesses in faster-growing regions and North America continued to perform well – contributing around 50% of Aegis Media's revenue in 2011 (2010: 43%)
- Digital revenue up to 35% in 2011 (2010: 32%)
- Record-equaling new business performance of approximately $2.7 billion net new business wins in billings in 2011 (2010: $2.0 billion)
- Excellent start to 2012 with Carat's appointment as General Motors Co. global strategic media partner, which carries an anticipated annual global media spend of $3 billion
- Carat maintains 2012 global advertising expenditure growth forecast at 6.0%.

Aegis Media

£m	2011	2010	Change %	Constant currency %
Revenue				
EMEA	**630.9**	579.7	8.8	7.9
Americas	**217.3**	189.4	14.7	17.6
Asia Pacific	**220.6**	117.7	87.4	81.7
Worldwide	**1,068.8**	886.8	20.5	20.0
Operating costs	**(860.3)**	(722.1)	(19.1)	(18.6)
Operating profit*	**208.5**	164.7	26.6	25.8
Operating margin*	**19.5%**	18.6%	90 bps	90 bps

* Throughout this commentary, results are stated on an underlying basis unless otherwise indicated

"Aegis Media's re-focused strategic approach supported our 2011 performance and will continue to do so in the future"

Overview / In 2011, Aegis Media produced sector-leading organic growth, margin progression and a record-equaling year of net new business wins. Our performance highlighted the continued strong momentum being built throughout our business and our unrivalled focus as a scaled media and digital communications specialist, supported by a unique commercial structure.

Our success last year also demonstrates the importance of having a global network to support our international clients. In 2011, we won 32 additional market appointments from our major international clients, in new regions or through new service propositions, totalling around $620m in billings. These include Disney in North America, Mexico and Australia, P&G in Portugal and South Asia, Coca-Cola in Spain and Sub-Saharan Africa, Diageo in Ireland, EPSON in Mexico and Adidas in five new markets across EMEA.

We further increased revenue contribution from our digital capabilities, to 35% from 32% in 2010, as they continued to be fully integrated into our product offerings in order to help our clients develop communications programmes across multiple channels and platforms.

With the digital environment remaining highly complex, clients are increasingly making data-driven decisions to help them measure the performance of their advertising campaigns and track returns on investment. We are developing our own product offerings in this area, such as real time audience buying, to enable us to deliver highly targeted and measurable advertising campaigns for clients. This area will become increasingly important over the long term, and we will ensure that Aegis has the appropriate infrastructure and talent in place to be at the forefront of this industry dynamic in the future.

In 2011, Aegis Media delivered total revenue of £1,068.8m, an increase of 20.5% at reported rates and 20.0% at constant currency. Aegis Media delivered organic growth of 9.8% in 2011, including 11.9% in the fourth quarter of the year:

Aegis Media	Quarter Q111	Q211	Q311	Q411	Half Year H111	H211	Full Year FY11
Organic revenue change %	**10.1**	**5.8**	**11.5**	**11.9**	**7.6**	**11.7**	**9.8**

Management continue to focus on cost control, supported by management incentives remaining aligned to margin improvement. Staff cost pressure remains a key feature, given the relatively high industry salary inflation and employee turnover in several key faster-growing regions, and the additional hiring in North America to support our new business wins.

Underlying headcount at Aegis Media increased by 12.1%, excluding the addition of employees brought into the business via acquisition. In total, we now have 12,154 people working for Aegis Media, an 18.1% increase from 2010. This headcount increase impacted total Aegis Media operating costs, which increased by 19.1% at reported rates and 18.6% on a constant currency basis.

Despite this staff cost pressure, operating profit increased by 26.6% at reported rates and 25.8% at constant currency to £208.5m, with operating margin up to 19.5%, an increase of 90 basis points at reported rates and constant currency.

We remain optimistic about the outlook for global advertising and media expenditure, based on our clients' indicated advertising budgets for 2012. As evidence of this, Carat has maintained its global advertising expenditure growth forecast for 2012 at 6.0%.

Aegis Media EMEA / EMEA revenue increased 8.8% at reported rates and 7.9% at constant currency to £630.9m, and delivered organic revenue growth of 5.1%.

Our results in EMEA were driven by a new senior management team, appointed to lead and manage the region during the year. Our businesses in Russia, the UK, Turkey, the Nordics and across the Middle East and Africa performed particularly well. New business highlights across EMEA included winning the P&G account in Portugal, our first media appointment by that client in Europe, and winning BMW in Russia, Mattel in South Africa, MTN and Kraft in Nigeria, Gocompare in the UK, Findus in Italy and Red Bull in France and Switzerland.

While tough market conditions remain in the southern regions of Western Europe, our businesses there delivered relatively robust top line growth in 2011. Despite some challenges in France, we are making good progress in regaining momentum there, with some important new business wins so far in 2012.

Aegis Media Americas / Our revenue in the Americas region increased 14.7% at reported rates and 17.6% at constant currency to £217.3m, and delivered organic revenue growth of 17.2%.

Following an excellent performance in 2010, our North American business consolidated its position in the market with an outstanding year in 2011, winning a number of major new clients, including The Home Depot, Disney Parks & Resorts, Target and Sears.

In January 2012, we were appointed by General Motors Co. ("GM") as their global strategic media partner. The account carries an anticipated annual global media spend of $3 billion. Whilst the pitch process was a global effort, building on a strong performance by our European team for GM over the last five years, it was led by Carat US, who will be managing and co-ordinating the account.

The on-going impressive performance of the US business has transformed the scale of our business in the largest advertising market in the world. This ensures we are well placed to build on our position as the market leader in convergence and innovation.

Our Latin American business also delivered a strong performance, particularly through our Isobar business in Brazil. New business wins in the region included EA, Enel and Luxotica.

Aegis Media APAC / Aegis Media APAC revenue increased 87.4% at reported rates and 81.7% at constant currency to £220.6m, and delivered organic revenue growth of 17.7%.

China was again the outstanding performer in the region. Australia, our other major business in APAC, also performed well and we successfully completed the integration of the Mitchell acquisition.

Our media businesses delivered a record new business performance across the APAC region and our digital businesses also won a number of significant new client assignments, including Kellogg's digital creative business. In total, our network brands worked on over 200 new clients and client assignments across the region, including Wyeth in China, Woolworths in Australia, Panasonic in Malaysia and Clarins across the region.

Aztec / Aztec, our retail data scan business which is managed and operated separately from Aegis Media, saw a strong recovery in its key markets in 2011, particularly in Australia. Aztec produced revenue of £66.2 million, up 22.1% at reported rates, 14.5% in constant currency, with organic revenue growth of 11.3%.

Aztec's operating profit was £8.1 million, up 80.0% at reported rates and 72.3% at constant currency, with operating margin of 12.2%, up 390 basis points at reported rates and 410 basis points at constant currency.

Summary / Aegis's operational and financial performance continues to be driven by strong positive momentum throughout Aegis Media's network brands and across key geographies, which is testament to the high quality of our people and the work they do for our clients. Our 2011 performance also highlights the benefits of Aegis Media's unique integrated and specialist approach for our clients in what is a rapidly evolving media environment. This performance, buoyed by our outstanding new business achievements over the last 18 months, supports our optimistic view of the future prospects of our businesses.

Michael Farasciano,
Senior Vice President,
Vizeum North America

Client / Ray-Ban

consumer engagement on multiple levels

"Never Hide" consumer engagement campaign

Location / USA

VIZEUM NORTH AMERICA WAS TASKED BY RAY-BAN TO CREATE A CONSUMER ENGAGEMENT CAMPAIGN ACROSS MULTIPLE CHANNELS, ENCOURAGING PEOPLE TO SHOW THEIR TRUE COLOURS OR "NEVER HIDE".

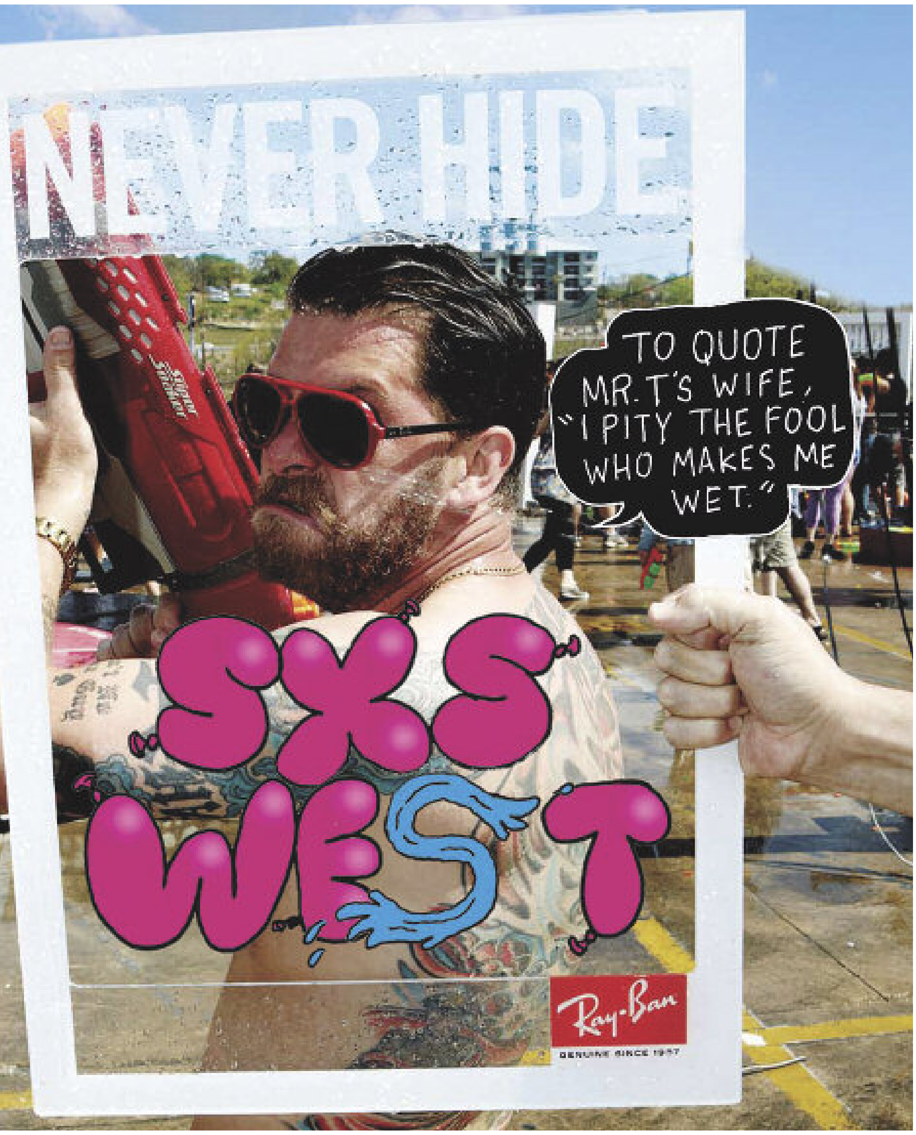
Project / Since 2007, Ray-Ban has been telling consumers through its advertising campaigns to "Never Hide". Last year, Ray-Ban wanted to increase consumer engagement in their latest campaign by taking their iconic "Never Hide" frame out of their advertisements and putting it into the hands of consumers by encouraging them to capture and share their "Never Hide" moments with the world. As part of the launch of this campaign, Vizeum, with the help of another Aegis Media network brand in North America, Team Epic, organized a huge outdoor party where they captured consumers' "Never Hide" moments and uploaded them in real time to the client's website. This event was duplicated at various music festivals nationwide, with the support of Posterscope, which arranged transportation for people to these festivals in client-branded buses. The campaign was further expanded by working with media partners to create custom print inserts which allowed readers to physically take a frame out of a magazine and use it to capture their "Never Hide" moments. These moments were shared by users via an app which provided useful event information and allowed them to view other people's photos from the campaign.

Outcome for the client / the campaign led to over 30,000 app downloads, over 90,000 app users and supported a 16% year-on-year increase in sales – a 5th year of double digit growth for the brand.

"The success of this campaign was based on developing a strategy to engage users on multiple levels by allowing them to consume, create and share content"

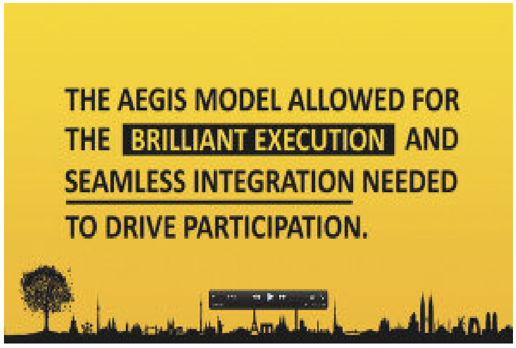
Vizeum

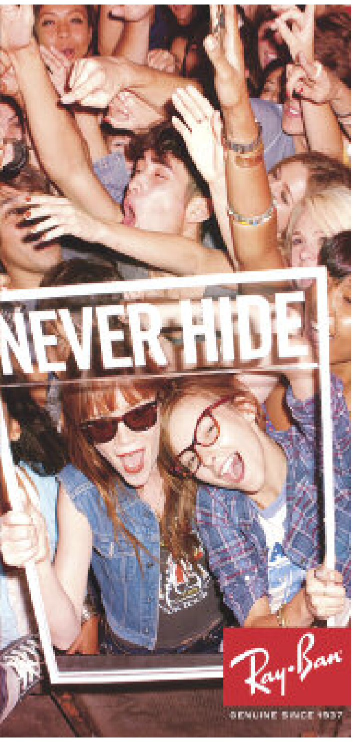
CASE STUDY / 01


NEVER HIDE
TO QUOTE MR. T'S WIFE, "I PITY THE FOOL WHO MAKES ME WET."
SXSWEST
Ray-Ban
GENUINE SINCE 1937


HOW DO YOU PUT THE PEOPLE BACK INTO AN ICONIC BRAND?

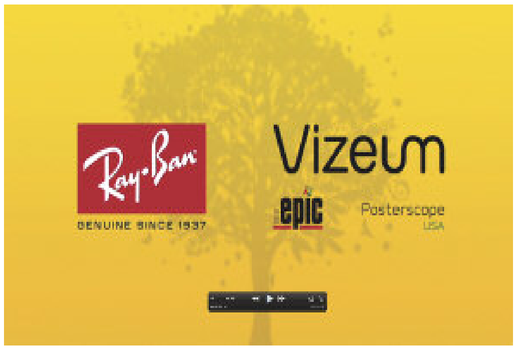

GET CONSUMERS TO CAPTURE AND SHARE THEIR "NEVER HIDE" MOMENTS WITH THE WORLD


THE AEGIS MODEL ALLOWED FOR THE BRILLIANT EXECUTION AND SEAMLESS INTEGRATION NEEDED TO DRIVE PARTICIPATION.


NEVER HIDE
Ray-Ban
GENUINE SINCE 1937


NEVER HIDE
Ray-Ban
GENUINE SINCE 1937


BRILLIANT EXECUTION
FLAWLESS INTEGRATION


Ray-Ban
GENUINE SINCE 1937
Vizeum
epic
Posterscope
USA

Dmitry Manin,
Deputy Director of non-standard
Creative OOH Department,
Posterscope Russia

Client / Adidas Originals

“We always aim to bring new elements to traditional advertising sites. We like to spotlight the primary advantage of the advertised product to draw maximum attention to it and bring a sense of immediacy”

Posterscope

CASE STUDY / **02**

using innovation to reach mass audiences

Out-of-Home displays for Adidas Mega

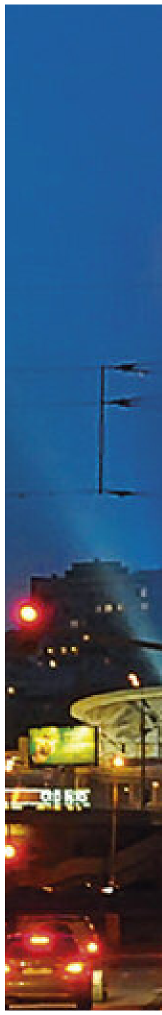
Location / Russia

THE PRIMARY OBJECTIVE FOR POSTERSCOPE WAS TO REACH A LARGE AUDIENCE USING SUFFICIENTLY HIGH IMPACT FORMATS AND STRONG CONCEPTS AT SITES ACROSS MOSCOW AND TO GENERATE MEDIA COVERAGE TO SUPPORT A GLOBAL CAMPAIGN INTENDED TO DRIVE WEB INTEREST IN THE ADIDAS MEGA RANGE OF FOOTWEAR.

Project / Locations of optimum prominence across the Russian capital were selected to host a striking interpretation of the product using unconventional, eye-catching methods. In a first for this client in Russia particular attention was paid to interpret the unique characteristics of the Adidas Mega Torsion sole through the use of 3-D materials and pulsing on-brand blue LEDs which were integrated into the outdoor creative design. Additional materials were used for added impetus and to give the oversized footwear display a life-like appearance. The distinctive finished design provided a twist on the typical displays usually seen at these locations. The highly visual advertisements were particularly prominent at night as the core Torsion sole feature was perfectly illustrated through the novel use of the blue LEDs.

The large outdoor sites formed part of a multi-channel approach that incorporated 60 x 40cm displays on Moscow trains and banner advertising on key lifestyle websites.

Outcome for the client / Twenty-seven centrally located sites resulted in the four-week campaign achieving its primary objective of providing significant reach, while associated press coverage in a variety of titles further broadened awareness in support of the global campaign and fulfilled the campaign’s secondary objective. This successful example became a reference point for innovative Out-of-Home work at industry conferences in the region.




TORSTON
all originals
adidas
mega
adidas.com/originals
News


TORSTON

Gopa Kumar, (left)
Media Director, iProspect India

Shamsuddin Jasani, (right)
Head of Digital, Aegis Media India

Client / **Bose**

> "As a consequence of our high quality search capability, supported by our integrated approach, we were able to deliver a campaign which was fully embedded into the client's other marketing activities"

iProspect

CASE STUDY / **03**

integrated campaign across media channels

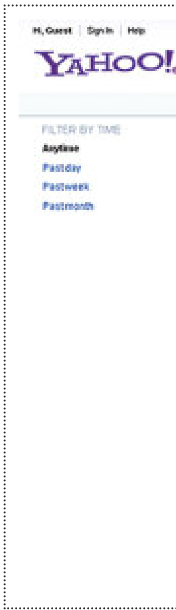
Search optimisation programme for Bose India's website

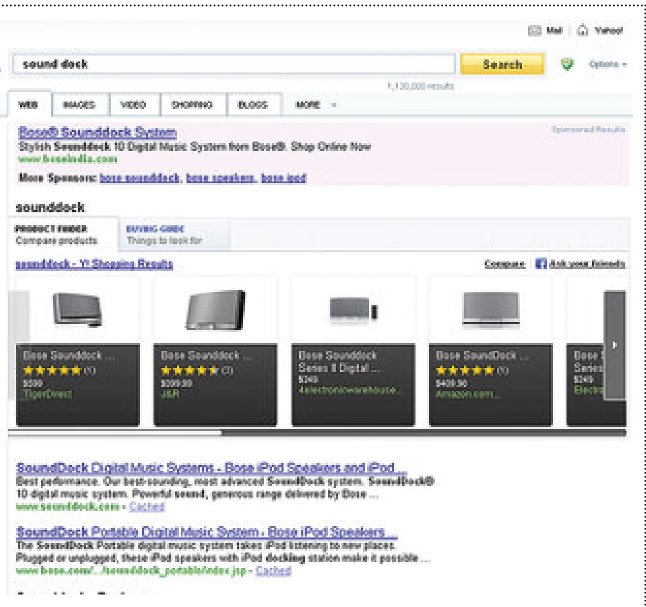
Location / India

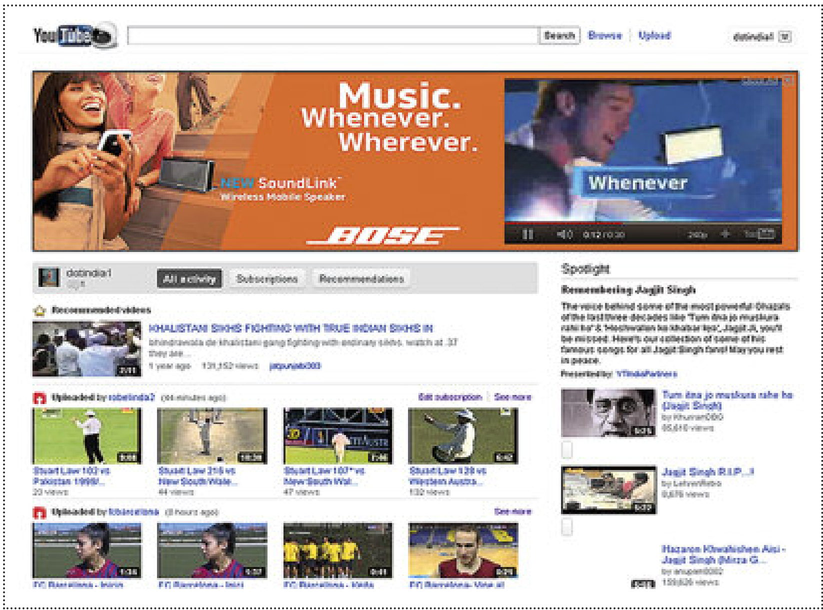
IPROSPECT INDIA WAS TASKED WITH CREATING AND DELIVERING A SEARCH CAMPAIGN TO DRIVE ON-LINE TRAFFIC TO THE CLIENT'S WEBSITE AND THEN ENABLING CONSUMERS TO MAKE TRANSACTIONS ON THE SITE. IMPORTANTLY, THE PROJECT HAD TO BE FULLY INTEGRATED INTO THE CLIENT'S CAMPAIGNS ACROSS OTHER MEDIA CHANNELS.

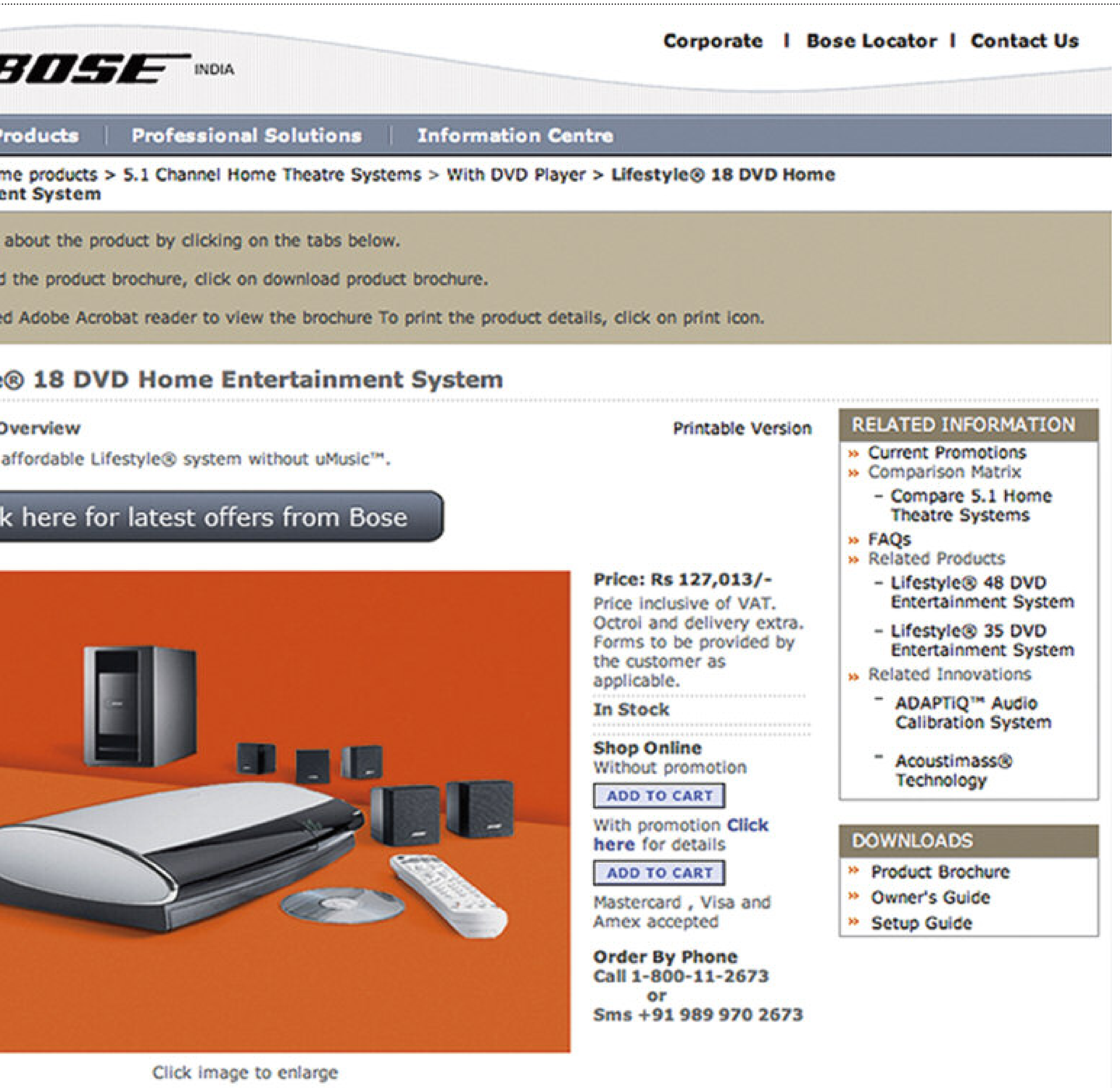
Project / We connected consumers to the Bose brand by establishing highly targeted keyword search strategies, which led consumers to client branding on search results on the major search portals and display networks. By building a strong brand presence throughout the consumers' on-line search journey, we aimed to increase the probability that they would visit the client's website. For mobile search, our strategy was to make it simple and quick for consumers to get in touch directly with the client. So, we set up a click-to-call feature on the Google Mobile platform, which took consumers directly through to the client's call centre in one click. Throughout the campaign, we made sure that only quality traffic came to the site by analysing the site's viewing data and seeking to understand where consumers were in their buying processes by the nature of their search query. We then tailored their experience on the site to their buying situation. At the outset, we ensured that all this activity was fully integrated into the client's other marketing and promotional programmes.

Outcome for the client / The 8 month campaign resulted in a 180% increase in traffic on the client's websites, supporting a significant increase in sales through the site during the period. In addition, Bose India web impressions increased 752%, total clicks on the sites increased 564% and a very high level of click through response was maintained during the campaign.




sound dock
Search
Bose® Sounddock System
Stylish Sounddock 10 Digital Music System from Bose®. Shop Online Now
www.boseindia.com
sounddock
SoundDock Digital Music Systems - Bose iPod Speakers and iPod ...
SoundDock Portable Digital Music System - Bose iPod Speakers ...


Music.
Whenever.
Wherever.
NEW SoundLink
Wireless Mobile Speaker
BOSE
Whenever
Spotlight


Corporate | Bose Locator | Contact Us
BOSE INDIA
roducts | Professional Solutions | Information Centre
me products > 5.1 Channel Home Theatre Systems > With DVD Player > Lifestyle® 18 DVD Home
ent System
about the product by clicking on the tabs below.
d the product brochure, click on download product brochure.
ed Adobe Acrobat reader to view the brochure To print the product details, click on print icon.
e® 18 DVD Home Entertainment System
Overview
Printable Version
affordable Lifestyle® system without uMusic™.
k here for latest offers from Bose
Price: Rs 127,013/-
Price inclusive of VAT. Octroi and delivery extra. Forms to be provided by the customer as applicable.
In Stock
Shop Online
Without promotion
ADD TO CART
With promotion Click here for details
ADD TO CART
Mastercard , Visa and Amex accepted
Order By Phone
Call 1-800-11-2673
or
Sms +91 989 970 2673
Click image to enlarge
RELATED INFORMATION
» Current Promotions
» Comparison Matrix
- Compare 5.1 Home Theatre Systems
» FAQs
» Related Products
- Lifestyle® 48 DVD Entertainment System
- Lifestyle® 35 DVD Entertainment System
» Related Innovations
- ADAPTiQ™ Audio Calibration System
- Acoustimass® Technology
DOWNLOADS
» Product Brochure
» Owner's Guide
» Setup Guide

Romy George,
Client Director, Carat

Client / Nivea

> This campaign embodies how Carat is redefining media by taking a simple marketing objective for a product launch and embedding additional value and creative thinking for the client. The campaign won numerous awards emphasising the originality and success of this work

Carat

CASE STUDY / **04**

creating an engaging launch campaign

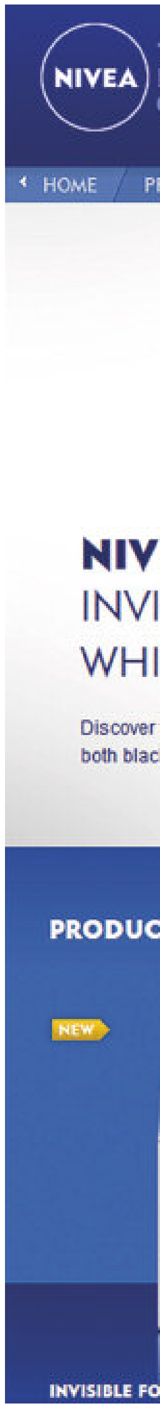
Launch of NIVEA Invisible for Black & White clothes deodorant

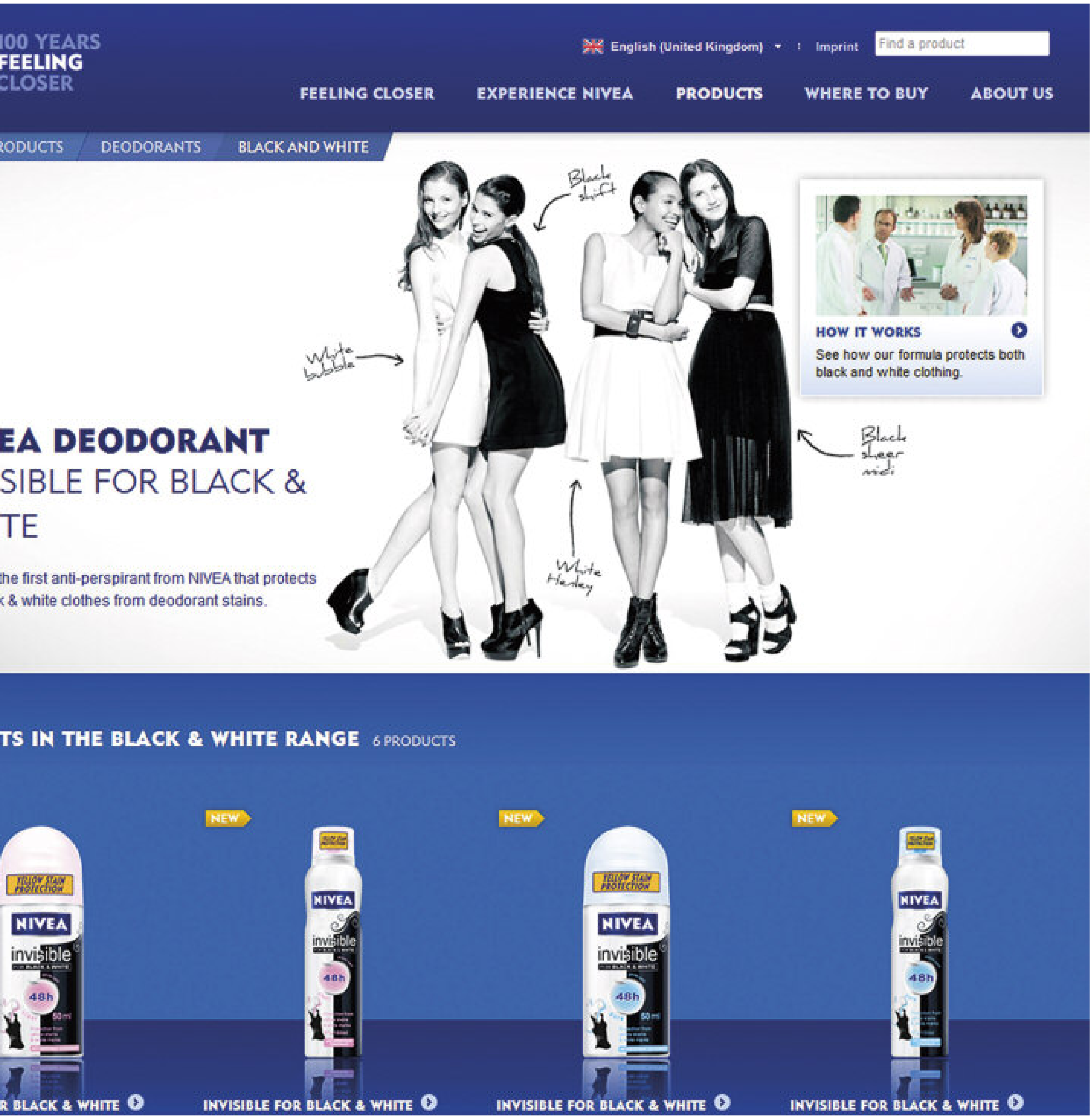
Location / UK

FOR THE LAUNCH OF NIVEA INVISIBLE FOR BLACK & WHITE, A NEW DEODORANT PRODUCT THAT WAS THE FIRST TO PROTECT AGAINST BOTH YELLOW STAINS AND WHITE MARKS ON CLOTHES, CARAT WAS TASKED WITH CREATING AN INNOVATIVE, INSPIRING IDEA TO MAKE AN IMPACT IN A HIGHLY CROWDED MARKET WHERE SALES ARE TYPICALLY DRIVEN BY STRONG PROMOTIONAL ACTIVITY.

Project / The key objective of the project was to create an engaging launch campaign that would bring the product's functional qualities to life. Carat combined consumer insight with the NIVEA Invisible for Black & White proposition of allowing clothes to last longer. A strategy was developed to link the brand with clothing, specifically timeless black and white outfits to be kept and cherished. This led to an innovative collaboration negotiated by Carat between on-line fashion retailer ASOS and NIVEA that resulted in an on-line exclusive capsule wardrobe of four classic black and white dresses. This provided an appropriate engagement platform for consumers and a link to a credible clothing advocate. A devoted space on ASOS.com was developed for the public to enter a competition to win the collection. A total of 1,000 dresses were given away, supported by a full programme of cross-channel activity that harnessed the complete range of ASOS media assets including magazine, social media, email and newsletters. A permanent icon on the ASOS homepage was negotiated and NIVEA vouchers inserted in ASOS orders of black and white clothing. Independent of the ASOS collaboration, Carat also ran advertorials and a digital, social and e-Consumer Relationship Marketing campaign with the objective of driving people to the site to enter the competition.

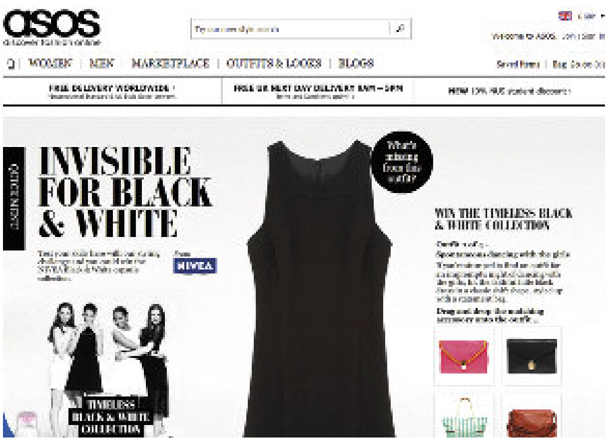
Outcome for the client / This ground-breaking campaign was the first time ASOS partnered with a brand to design, create and promote a bespoke collection of clothing. The multi-touchpoint activity resulted in 280,000 page views and 61,000 entries making it the most successful cross-brand competition ASOS has been involved in. This supported an excellent sales performance for the product, giving NIVEA Invisible for Black & White strong market share gains in the months after the launch.





100 YEARS
FEELING
CLOSER
English (United Kingdom)
Imprint
Find a product
FEELING CLOSER
EXPERIENCE NIVEA
PRODUCTS
WHERE TO BUY
ABOUT US
RODUCTS
DEODORANTS
BLACK AND WHITE
Black shift
White bubble
Black sheer midi
White Henley
HOW IT WORKS
See how our formula protects both black and white clothing.
EA DEODORANT
SIBLE FOR BLACK &
TE
the first anti-perspirant from NIVEA that protects
k & white clothes from deodorant stains.
TS IN THE BLACK & WHITE RANGE
6 PRODUCTS
NEW
NEW
NEW
R BLACK & WHITE
INVISIBLE FOR BLACK & WHITE
INVISIBLE FOR BLACK & WHITE
INVISIBLE FOR BLACK & WHITE

NIVEA
invisible
FOR BLACK & WHITE



asos
WOMEN
MEN
MARKETPLACE
OUTFITS & LOOKS
BLOGS
INVISIBLE
FOR BLACK
& WHITE
NIVEA
WIN THE TIMELESS BLACK & WHITE COLLECTION
TIMELESS
BLACK & WHITE
COLLECTION

Tim Doherty, (left)
Creative Partner, wwwins Isobar, China

Wayne Fan, (right)
Managing Director, wwwins Isobar, Shanghai

innovative solutions for leading brands

Client / Coca-Cola

Chinese new year social network wish campaign

Location / China

WWWINS ISOBAR DESIGNED AN ONLINE CAMPAIGN FOR COCA-COLA TO INCREASE SINGLE SERVINGS OF THE ICONIC BEVERAGE DURING THE HIGH VALUE CHINESE NEW YEAR PERIOD. HEIGHTENING AWARENESS BY CREATING A HIGHLY ENGAGING EXPERIENCE WAS KEY TO DRIVING POSITIVE SENTIMENT, INTENT TO PURCHASE AND BOOSTING VISITOR FIGURES TO COCA-COLA'S CHINA SITE.

Project / As it is elsewhere, expressing good wishes for the New Year is a traditional custom in China. We took this idea and drew inspiration from what is perhaps Coca-Cola's most significant brand asset – the classic contour Coke bottle. A social media campaign leveraging key online opinion leaders was implemented through some of China's largest social networks. In a first for the Chinese market, participants were given an opportunity to truly interact with the Coca-Cola brand. This came about when, on completing a wish through a social media site, the text was converted by the programme into a striking two-dimensional visual of the classic Coke bottle for participants to view and to share with friends who could then repeat the process.

A striking three-dimensional Coke 'wish bottle' containing real-time aggregated wishes from the participants was displayed on the site, further enriching the user experience. The vivid and interactive content provided the engagement needed to build significant momentum which was supplemented by strategically placed viral videos, which aimed to sustain and build on that momentum.

Outcome for the client / The campaign ran over a two month period either side of Chinese New Year and proved a winning model, delivering results that beat targets. In this short time almost 12 million unique visits and 3 million viral wish bottles were created and shared. This was further supported by evidence of high visitor figures to Coca-Cola China's website providing additional engagement opportunities for the client.

"Combining an immersive brand experience with a strong traditional element was critical to achieving the high engagement levels we saw for this campaign"

isobar

CASE STUDY / 05


2011 speak out
your '2011, I want...'
with Coca-Cola


ng you to type just 10 words
press your '2011, I want to ...'


Through simple interaction
on the social networking services and mobile platforms

FINANCIAL REVIEW

Nick Priday
Chief Financial Officer, Aegis Group plc

"Group margin improved 130 basis points to 17.4% in 2011"

"Improved performances across our businesses and supported by acquisitions"

The growth rates reflected in the Retained Group's underlying results for 2011 are the result of a strong organic growth performance supported by a meaningful contribution from the 18 acquisitions and investments completed in 2011, as well as the Mitchell's business acquired towards the end of 2010, which had a full year impact in 2011.

"Our balance sheet position remains strong and we ended the year comfortably within our financial covenants"

Group underlying results /

£m	2011	2010	Change %	Constant currency %
Turnover	**11,854.7**	10,047.4	18.0	17.4
Revenue	**1,135.0**	941.0	20.6	19.6
Gross profit	**1,107.6**	916.7	20.8	20.1
Operating expenses	**(910.2)**	(765.6)	(18.9)	(18.2)
Operating profit	**197.4**	151.1	30.6	29.4
Associates	**4.0**	4.0	–	(2.4)
Profit before interest and tax	**201.4**	155.1	29.9	28.6
Net financial items	**(39.6)**	(32.8)	(20.7)	(20.7)
Profit before tax	**161.8**	122.3	32.3	30.7
Diluted eps	**10.1p**	7.8p	29.5	27.8
Pro forma diluted eps*	**10.7p**	8.6p	24.4	23.0
Operating margin	**17.4%**	16.1%	130 bps	130 bps

* Incorporates a full year's impact on the diluted number of shares in issue of the share consolidation completed in the fourth quarter of 2011

Throughout this review, the Group's underlying results are presented on a Retained Group basis, excluding Synovate, in both years to facilitate more meaningful comparison. The Retained Group comprises Aegis Media, Aztec and the Corporate centre. The impact of changes in foreign currency exchange rates on year-on-year performance is adjusted for in the constant currency percentage variances shown throughout this report.

Financial headlines /

- Revenue growth of 20.6%, or 19.6% at constant currency, to £1,135.0m (2010: £941.0m), driven by improved performances across our businesses and supported by acquisitions
- Underlying operating profit increased 30.6%, or 29.4% at constant currency, to £197.4m (2010: £151.1m) and underlying pre-tax profit increased 32.3%, or 30.7% at constant currency, to £161.8m (2010: £122.3m), due to the Retained Group's improved performance during the year, a meaningful contribution from acquisitions made in 2011 and the full year effect of the Mitchell acquisition, made towards the end of 2010
- Group margin improved 130 basis points at both reported rates and at constant currency, to 17.4% (2010: 16.1%)
- Pro forma diluted eps increased by 24.4% at reported rates, and 23.0% at constant currency, to 10.7p (2010: 8.6p), ahead of the Total Group eps of 10.1p reported in 2010
- Net debt fell to £128.4m at the end of 2011, from £393.3m at the end of the first half, mainly due to the receipt of cash proceeds from the Synovate sale in fourth quarter of 2011
- Covenant positions remain comfortable, with undrawn available facilities of £450.0m at end of 2011.

Currency / The average exchange rates in the year saw sterling strengthen against the US dollar and weaken against the euro. The US dollar average rate for 2011 was £1:$1.6039 (2010 was £1:$1.5457) and the euro average rate was £1:€1.1525 (2010 was £1:€1.1663). On this basis the average US dollar rate weakened versus sterling by 3.6% and the euro strengthened versus sterling by 1.2%. Currency movements in other markets offset this effect so that reported results reflect a positive currency impact of 0.8% on reported revenue.

Income Statement /

Revenue / Revenue grew 20.6% at reported exchange rates, or 19.6% at constant currency, to £1,135.0m (2010: £941.0m). Excluding the impact of prior year acquisitions and disposals, the increase in Retained Group organic revenue was 9.9%.

Group £m	2011	Change %	2010	Change %
Prior year revenue as reported	**941.0**		873.0	
Currency movements	**7.7**	**0.8**	12.8	1.5
Prior year revenue at constant currency	**948.7**		885.8	
Change in revenue in year from acquisitions & disposals	**83.8**	**8.8**	7.5	0.8
Current year revenue at constant currency, including impact of acquisitions and disposals	**1,032.5**		893.3	
Organic movement in year	**102.5**	**9.9**	47.7	5.3
Total current year revenue as reported	**1,135.0**		941.0	

Aegis Media £m	2011	Change %	2010	Change %
Prior year revenue as reported	**886.8**		825.2	
Currency movements	**4.1**	**0.5**	5.2	0.6
Prior year revenue at constant currency	**890.9**		830.4	
Change in revenue in year from acquisitions & disposals	**82.2**	**9.2**	8.5	1.0
Current year revenue at constant currency, including impact of acquisitions and disposals	**973.1**		838.9	
Organic movement in year	**95.7**	**9.8**	47.9	5.7
Total current year revenue as reported	**1,068.8**		886.8	

Group revenue increased 12.0% organically in the fourth quarter of 2011 and 11.7% during the second half of the year.

FINANCIAL REVIEW
(continued)

Operating performance / Operating expenses increased to £910.2m (2010: £765.6m), an increase of 18.9% at reported exchange rates, or 18.2% at constant currency, mainly as a result of increased staff costs during the year. Corporate costs increased by £1.1m to £19.2m in 2011.

Group operating profit was £197.4m (2010: £151.1m), up 30.6% or 29.4% at constant currency, due to an improved performance of the business during the year. On a Total Group basis, including a contribution from Synovate for the first nine months of 2011, operating profit in the year was £200.7m (2010: £192.2m).

Group operating margin was 17.4% in 2011, an increase of 130 basis points at reported rates and at constant currency, from the prior year.

Profit before interest and tax / After a profit from associates of £4.0m (2010: £4.0m), predominantly relating to our share of profits from our investment in Charm Communications Inc ("Charm"), profit before interest and tax was up 29.9% to £201.4m (2010: £155.1m), equivalent to an increase of 28.6% at constant currency.

Net financial items /

£m	2011	2010	Change %	Constant currency %
Interest income	6.3	6.1	3.3	1.6
Interest payable	(45.9)	(38.2)	(20.2)	(19.8)
Net interest charge before fx (losses)/gains	(39.6)	(32.1)	(23.4)	(23.4)
Foreign exchange (losses)/gains	–	(0.7)	100.0	100.0
Net financial items	(39.6)	(32.8)	(20.7)	(20.7)

The Group's net charge in respect of financial items was £39.6m (2010: £32.8m) an increase of 20.7% at reported rates and at constant currency.

This increase reflects the Group's actions to diversify and extend the maturity profile of its borrowings over the last few years. In 2009, the Group raised £25.0m and US$183.0m in unsecured loan notes repayable between 2017 and 2019. In 2010, £190.6m was raised through the issue of convertible notes and the Group re-financed a five year revolving credit facility on renewed terms. In 2011, the Group increased the term loan taken out in 2009 to £60.0m, from £45.0m.

The net interest charge, before the effect of foreign exchange gains and losses relating to financing items, increased in 2011 to £39.6m (2010: £32.1m). Within the net interest charge, interest income increased to £6.3m (2010: £6.1m), partially due to the increase in cash deposits during the fourth quarter of the year, following the receipt of funds from the sale of Synovate. Interest payable increased to £45.9m (2010: £38.2m), reflecting the first full year of the convertible bond, issued in 2010, the revolving credit facility, re-financed in July 2010, and the increase in our term loan, as outlined above.

Profit before tax / Profit before tax of £161.8m (2010: £122.3m) increased by 32.3%, or 30.7% at constant currency.

Tax / Our underlying effective tax rate for the year improved to 20.0% (2010: 23.3%), as a result of on-going tax planning initiatives. The total of income taxes paid in cash in the year was £42.1m (2010: £47.6m).

Profit attributable to equity holders of the parent / Minorities' share of underlying income increased to £3.6m (2010: £3.5m) reflecting a marginal improvement in profitability of non-100% owned entities in the Group and underlying profit attributable to equity holders of the parent was £125.8m (2010: £90.5m). Minorities' share of statutory income was £1.5m, down from £1.9m in 2010. Statutory profit attributable to equity holders of the parent was £79.6m (2010: £18.2m).

Earnings per share / Diluted earnings per share for the Group increased by 29.5% to 10.1p (2010: 7.8p).

On a pro forma basis, taking into account a reduced number of shares for the year following a 10 for 11 share consolidation on 24 October 2011, diluted earnings per share for the Group increased by 24.4% to 10.7p (2010: 8.6p).

The 10 for 11 share consolidation was intended to maintain comparability of Aegis's share price before and after the Return of Capital, which was paid to shareholders via a special dividend on 2 November 2011.

Dividends / The Board is proposing a final dividend of 2.01p, following the payment of an interim dividend of 1.08p per share on 23 September 2011, which is equivalent to 1.19p per share on a post-consolidation basis. The proposed total dividend for the year is therefore 3.20p per share on a post-consolidation basis, excluding the special dividend. The special dividend of 15.53p per share (equivalent to 17.08p per share on a post-consolidation basis) increases the total dividend for the year to 20.28p per share on a post-consolidation basis.

	Quarterly performance				Half Year performance		Full Year performance
Organic Revenue change %	**Q111**	**Q211**	**Q311**	**Q411**	**H111**	**H211**	**FY11**
Aegis Media	10.1	5.8	11.5	11.9	7.6	11.7	9.8
Aztec	9.9	12.1	7.8	15.4	11.0	11.6	11.3
Group	10.1	6.1	11.2	12.0	7.8	11.7	9.9

Statutory results /

Reconciliation of underlying operating profit to statutory operating profit /

£m	2011	2010	Change %	Constant currency %
Underlying operating profit	**197.4**	151.1	30.6	29.4
Less:				
Amortisation of purchased intangible assets	**(34.7)**	(21.3)		
Disposals of subsidiaries & associates	**(10.8)**	(13.6)		
Acquisition costs	**(3.3)**	(4.5)		
Exceptional debtor impairment	**–**	(37.0)		
UK property move costs	**(2.8)**	(8.8)		
Total adjustments	**(51.6)**	(85.2)		
Statutory operating profit	**145.8**	65.9	121.2	118.9

Reconciling items between underlying and statutory operating profit include the amortisation of purchased intangible assets and the impact of disposals of subsidiaries and associates. The amortisation charge increased to £34.7m in the year, reflecting the impact of additional purchased intangibles recognised in respect of the acquisitions made in 2011. The Group recorded a £10.8m loss on disposal and deemed disposal of stakes in operations in the UK and France.

As expected, the UK office re-location resulted in one-off accounting charges of £2.8m in 2011, following a £8.8m charge taken in 2010. This combined charge of £11.6m was well within our initially anticipated range of £10m to £15m, as announced at our 2010 Half Year Results in August 2010. The main element of the 2011 charge relates to double rent. The charges taken in 2010 and 2011 will be broadly cash neutral over the next two years, before the positive impact of long term efficiency savings relating to the re-location.

The £3.3m of acquisition costs taken in 2011 relates to transactions made during the year, but excludes costs relating to the sale of Synovate.

In February 2011, we announced that a former Spanish client and certain affiliated companies had filed for pre-insolvency protection under section 5.3 of Spanish Insolvency Law. As these companies had outstanding liabilities owing to an Aegis subsidiary in Spain, we said at the time that it was likely that a provision would be made against our net exposure. A provision is held against our exposure, of which £25.9m was taken in the 2010 accounts as a post-tax exceptional charge. No further charge was taken in 2011.

Operating profit / Statutory operating profit was up 121.2% to £145.8m (2010: £65.9m).

Reconciliation of underlying profit before tax to statutory profit before tax /

£m	2011	2010	Change %	Constant currency %
Underlying profit before tax	**161.8**	122.3	32.3	30.7
Less:				
Adjustments to operating profit	**(51.6)**	(85.2)		
Fair value adjustments	**(1.8)**	(3.1)		
Disposal of JV and associate	**–**	1.5		
Amortisation of purchased intangible assets within associates	**(2.0)**	(2.0)		
Total adjustments	**(55.4)**	(88.8)		
Statutory profit before tax	**106.4**	33.5	217.6	211.7

Profit before tax / Statutory profit before tax is stated after the adjustments made in arriving at statutory operating profit and certain other items recorded within net financial items. These other items include fair value adjustments relating to derivatives and movements in put option liabilities, an IAS 39 impairment charge relating to assets classified as available for sale and the amortisation of purchased intangibles in an associate in China (Charm).

Statutory profit before tax was up 217.6% at £106.4m (2010: £33.5m). Our statutory tax charge was £25.3m (2010: £13.5m), equivalent to a tax rate of 23.8% (2010: 40.3%). Basic and diluted earnings per share were 6.5p (2010: 1.6p).

FINANCIAL REVIEW
(continued)

Discontinued operations / Included in the Total Group profit for the year of £165.3m was a profit of £84.2m from discontinued operations:

£m	2011	2010
(Loss) / profit for the period from discontinued operations	(4.0)	23.0
Gain on disposal of discontinued operations after tax	88.2	–
Total profit from discontinued operations for the financial year	84.2	23.0

As disclosed in note 10 to the consolidated financial statements, the financial performance of Synovate after tax for the nine months to the disposal date was a loss of £(4.0)m on a statutory basis. The group also recorded an exceptional gain on the disposal of Synovate of £88.2m after receiving consideration based on an enterprise value of £525m.

On an underlying basis, after adjusting for the amortisation of purchased intangibles, Synovate reported operating profit of £3.3m and a profit before tax of £2.8m.

Balance sheet /

£m	2011	2010
Goodwill	1,069.7	1,331.1
Intangible assets	139.4	112.5
Property, plant and equipment	52.7	61.9
Investments in associates and joint ventures	52.3	48.5
Other non-current assets	81.9	74.1
Total non-current assets	1,396.0	1,628.1
Net payables	(513.4)	(441.0)
Net debt	(128.4)	(331.3)
Earn-out liabilities	(182.3)	(63.7)
Liabilities in respect of put options	(14.4)	(34.5)
Other	(94.8)	(89.2)
Net assets	462.7	668.4

Balance sheet movements year-on-year were affected by exchange movements at the closing date, but not to the extent of previous years. The 2010 balance sheet included the assets and liabilities of Synovate and, in many cases, the main movement in balance sheet line items is the disposal of these assets and liabilities.

Goodwill and intangible assets / The decrease of £261.4m in goodwill predominantly arises due to the disposal of Synovate in October 2011, offset by acquisitions made in 2011 and upward revisions of estimated future earn-out liabilities on older acquisitions. Goodwill arising on new acquisitions in the year totalled £146.7m.

Intangible assets increased to £139.4m (2010: £112.5m) as a result of an increase in purchased intangibles largely through the acquisitions made in 2011, offset by the amortisation charge for the year for the Total Group of £47.3m (Retained Group: £40.8m), those assets included within Synovate on disposal, together with exchange movements.

Property, plant and equipment / The net decrease in property, plant and equipment of £9.2m was mainly due to the Synovate disposal. Net capital expenditure for the year increased to £45.7m (2010: £28.1m), as a result of various office re-locations across the Group.

Investments in associates and joint ventures / The increase of £3.8m in associates and joint ventures was mainly due to the contribution from a number of investments made in 2011, including TigerSpike and Qualité Search Marketing, along with our share of associates' profits for the year.

Net Payables / Trade payables principally represent amounts payable to media owners in respect of media space booked for clients; trade receivables principally represent amounts due from clients in respect of this space.

There were the typical working capital movements during the year, with an outflow during the first half, followed by an inflow in the second half. During the year, there was a working capital outflow of £24.6m on an underlying basis.

Net debt / The profile of net debt at the end of 2011 was as follows:

£m	2011	2010	Change %
Cash and short-term deposits	626.1	394.4	231.7
Current borrowings and overdrafts	(136.2)	(85.6)	(50.6)
Non-current borrowings	(618.3)	(640.1)	21.8
Net Debt	(128.4)	(331.3)	202.9

Net debt improved from £331.3m at the end of 2010 to £128.4m at the end of 2011, a year-on-year improvement of £202.9m. This increase was mainly due to the receipt of cash proceeds from the Synovate sale and strong operating cash flows in the second half of 2011, offset by acquisition spend and a special dividend of £200m being paid to shareholders.

Earn-outs and put options / Our estimated future earn-out liabilities increased by £118.6m to £182.3m at the end of the year. Decreases in liabilities due to payments made in the year were more than offset by additional earn-outs through acquisitions made in 2011, revaluations of future liabilities and currency effects. The vast majority of our earn-out commitments depend on the post acquisition financial performance of businesses acquired.

Liabilities in respect of put options decreased by £20.1m to £14.4m (2010: £34.5m), primarily due to payments made on the purchase of additional stakes in existing subsidiaries.

Cash flow / Cash inflows from underlying operations were £218.1m (2010: £250.2m), down 12.8%, mainly due to the loss of cash inflows from Synovate generated in the fourth quarter of the prior year. Statutory cash inflows from operations were £208.1m, down 10.5% from £232.5m in 2010. Net cash inflow on acquisitions and disposals was £402.6m.

Financing / The Group has a good maturity and diversified debt profile and, as a result, the headroom on the Group's facilities is satisfactory. A bilateral facility of £45m, which had a maturity of July 2011, was increased to £60m and extended to October 2014.

We ended the year with a comfortable covenant position. Our leverage covenant (net debt/EBITDA) was 0.5 times (compared to a covenant requirement of <3 times) and our interest cover covenant (EBITDA/net interest) was 7.7 times (compared to a covenant requirement of >4 times).

Covenant	Requirement	2011	2010
Leverage	Less than 3 times	**0.5**	1.5
Interest cover	Greater than 4 times	**7.7**	8.2

Under our committed central facilities, we had undrawn available facilities at the year-end of £450.0m, as we did at the end of 2010. Cash flow forecasts produced on a prudent basis for the next three years show that the Group has sufficient headroom and available facilities to meet its liabilities as they fall due.

Nick Priday
Chief Financial Officer, Aegis Group plc

PRINCIPAL RISKS AND UNCERTAINTIES

Continued focus on risk management

Risk management approach / Aegis recognises the importance of effective risk management processes and systems. The Board is ultimately responsible for risk management and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. It delegates operational risk management to its Risk Committees, which report into the Group Audit Committee. There are currently two Risk Committees, the Aegis Media Risk Committee, chaired by the Group CEO, which focuses primarily on strategic and trading risks, and the Group Risk Committee, chaired by the Group CFO, which focuses on corporate and group function risks. The work of the Risk Committees is regularly reviewed by the Audit Committee.

We also aim to make risk management a key part of every manager's role across our business. During 2011, Aegis revised the group risk management framework to increase focus on major risks that could threaten the whole business. The evaluation methodology (i.e. how we assess the size of the risk, comprising probability of happening and the size of the impact if it did occur) has been modified to reflect this.

Our risk management strategy supports the strategic objectives of Aegis Group plc, which are:

– Increasing our exposure to faster-growing regions
– Growing our digital profile and capability
– Broadening our service offering across all of our clients
– Growing our international client and new business profile
– Strengthening our leading position in the top 20 markets, in particular China and the US.

This strategy aims to deliver continued growth whilst managing strategic risk by diversifying client base, country and media. To back this, the group maintains a strong, flexible balance sheet and ensures we remain comfortably within our financial covenants. A summary of our principal risks is as follows:

"Our risk management strategy supports the strategic objectives of Aegis Group plc"

1. Maintaining strong client relationships /

Risk description /

- We might lose key clients and fail to win new ones.

Potential risk impact /

- Lost profit
- Subsequent loss of key managers.

Risk management strategy /

- Ensuring we remain a highly competitive organisation to help us win new clients and continue to provide a high quality service to our existing clients.

Risk mitigation actions /

- We have dedicated client relationship teams in place, as well as global client management teams established in regional offices
- We develop multiple services, with an emphasis on innovation for our clients.

2. Managing counterparty risk /

Risk description /

- Counterparty risks include the loss of income from clients who have cash flow or insolvency problems and potential media buying liabilities in markets where we act as principal.

Potential risk impact /

- Lost profit and bad debt.

Risk management strategy /

- Maintaining and developing robust financial and operating systems to ensure we minimise any potential loss of income from third parties.

Risk mitigation actions /

- Due diligence, including credit risk is undertaken for all new clients and written contracts must be in place before starting any significant work
- Group policy requires credit limits to be imposed for all new commercial clients
- We are enhancing our existing global credit insurance policy.

3. Managing competitive risk /

Risk description /

- The agency sector is highly competitive.

Potential risk impact /

- Lost profit
- Subsequent loss of key managers.

Risk management strategy /

- Attracting and retaining high quality people who can deliver high quality service to clients. Aegis Media's global network brands operate through one P&L and one operating model per country with a full range of integrated, and specialist, services, providing competitive differentiation.

Risk mitigation actions /

- We put major focus on maintaining and building long term client relationships, investing in major clients
- We seek to maintain a cost base at least as efficient as any of our competitors
- We place emphasis on innovation.

4. Ensuring strong talent management /

Risk description /

- Loss of key employees and failure to attract high quality people.

Potential risk impact /

- Losing clients.

Risk management strategy /

- Talent management is a key priority to ensure we have a strong pipeline of people to develop as our future leaders. We also aim to ensure we are well placed to continue to attract high quality people.

Risk mitigation actions /

- We made significant investment in 2011 and intend to continue to invest in 2012 to make Aegis an attractive place to work
- We make developing our future leaders by career planning and training a priority. In particular our Route 500 is a programme for high-potential employees.

PRINCIPAL RISKS AND UNCERTAINTIES

(continued)

5. Weak economic conditions /

Risk description /

- Weak economies can lead clients to cut back on media investment and squeeze margins.

Potential risk impact /

- Lost profit.

Risk management strategy /

- Aegis is a diversified business with a strategy to grow our exposure to areas that are less likely to be affected by macro-economic challenges, including faster-growing geographic regions and digital.

Risk mitigation actions /

- Diversify our business into faster-growing product areas and markets
- Regular monthly detailed reporting by business units to senior management ensures that senior executives understand local performance
- There are regular reforecasts of financial performance presented to the Board
- Were sales to slow, controls over costs and working capital would be tightened further to mitigate the loss of profit.

6. Maintaining a sound financial position /

Risk description /

- Insufficient liquidity and funding requirements to support the Group's liabilities and manage the growth of the business.

Potential risk impact /

- Lack of funds for current operations and future growth.

Risk management strategy /

- Maintaining sufficient funding, with secure access to banking facilities, to meet our liabilities and to fund the growth of the business. From a cost perspective, ensuring a cost management culture is integrated throughout the organisation.

Risk mitigation actions /

- We have cash pooling arrangements in place for larger businesses with relationship banks
- We maintain daily cash reporting for all operations
- We have minimum headroom limits and monitor these regularly
- We maintain regular communication with relationship banks and noteholders.

7. Managing the targeting and pursuit of acquisition opportunities /

Risk description /

- Acquisitions need to be value creating and support the Group strategy.

Potential risk impact /

- Lost profit
- Management distraction.

Risk management strategy /

- Targeting acquisitions which are aligned with the Group's strategy and culture, as well as ensuring they meet specific financial criteria.

Risk mitigation actions /

- We maintain a pipeline of potential targets across a diverse range of geographies and product offerings
- All acquisitions require approval by an internal acquisitions committee chaired by the Group CEO. Larger acquisitions have to be agreed by the Group Board
- We aim to limit the initial consideration and pay the consideration over time through earn-out payment structures
- There is a Group M&A team in place to support local management in sourcing and acquiring targets
- Acquisitions need to promise to deliver a rate of return of at least 30% above our weighted average cost of capital and need to achieve earnings enhancement in the first full year of ownership.

8. Ensuring acquisitions are fully integrated /

Risk description /

- Unsuccessful integration of acquired companies.

Potential risk impact /

- Lost profit
- Management distraction.

Risk management strategy /

- Post acquisition integration plans in place for all newly acquired entities to ensure they are properly integrated into the Group.

Risk mitigation actions /

- We track and report on the integration process tracked at three months and one year, providing additional assistance to those entities requiring more support
- We aim to re-brand acquired businesses in the first full year of ownership.

9. Managing the security of data /

Risk description /

- Unauthorised access to or inappropriate use of client, employee or other confidential data.

Potential risk impact /

- Lost profit
- Reputational damage.

Risk management strategy /

- Ensuring robust IT and financial reporting systems are in place, in line with best practice data security and compliance regulations, and based on strict internal policies and procedures.

Risk mitigation actions /

- External access to information is protected by the IT security framework which is regularly assessed through vulnerability testing and IT security audits
- We insist on confidentiality clauses in employee and supplier contracts
- We are currently obtaining further validation of the quality of our information security by undertaking ISO27001 certification for our key businesses.

10. Ensuring legal and regulatory compliance /

Risk description /

- The Group may be unprepared for legislative and regulatory changes.

Potential risk impact /

- Lost profit
- Loss of license to operate and/or market
- Damage to management reputation and credibility.

Risk management strategy /

- Ensuring compliance with a range of legal and contractual requirements around the world.

Risk mitigation actions /

- Group Legal team continually monitors changes in regulation with a view to changing group policies and communicating the changes before they come into force. This team includes a specialist compliance lawyer
- Online compliance training packages have been developed to supplement face-to-face training
- We have established a regulatory intranet which is utilised as a tracking tool for new and updated regulation and an internal newsletter which updates employees on developments in the area of compliance.

11. Managing corporate responsibility risks /

Risk description /

- The Group is unable to respond to the changing regulatory environment around environmental and community responsibility, unable to meet its clients' and employees' sustainability requirements or unable to fulfil stakeholder expectations.

Potential risk impact /

- Lost profit, clients and potential reputational damage.

Risk management strategy /

- Integrating Corporate Responsibility considerations in Group policies and procedures and developing ambitious targets and programmes to turn Corporate Responsibility risks into opportunities.

Risk mitigation actions /

- Appointment of a central Corporate Responsibility department.
- Development of a network of Corporate Responsibility champions in each market to ensure local compliance through standardised reporting, to develop local action plans to achieve our targets, and to raise awareness amongst our stakeholders.

CORPORATE RESPONSIBILITY REPORT

Building sustainable momentum

> Sustainability sits at the heart of the converging media environment

1. Why is sustainability important to us? /

The issue of sustainability sits at the heart of our converging world. It presents a valuable opportunity to help us re-invent the way brands are built because of its role in key consumer trends:

- **Connected and concerned consumers** Consumers are more connected than ever before through a multitude of devices. Using social media technology, they constantly access content and entertainment on demand and increasingly value a brand that has a purpose and takes its corporate responsibility seriously
- **Interactive and ambitious brands** Brands, meanwhile, are building relationships and connections with their consumers through the same digital technologies as well as setting ambitious sustainability objectives and committing to wide-ranging corporate responsibility programmes
- **Content and entertainment** Brands use content and entertainment to forge a closer connection between consumers and their products and they increasingly use sustainability messages as content to engage and build a fan base.

As a result, Future Proof, our sustainability strategy, contributes to the success of our corporate strategy. And it helps meet the expectations of our main stakeholders:

- **Clients** We are a trusted part of brands' supply chains to reach their consumers. In 2011 we saw a continuation of the rapid growth in sustainable procurement and supply chain initiatives that incorporated Aegis Media or one of its brands. We responded to over 50 client requests around sustainability and corporate responsibility in 2011. Our clients expect us to meet the highest standards around corporate responsibility. We monitor our performance on sustainable supplier charters to ensure we respond effectively to client demands. We partnered with Carbon Track to deliver some of the world's first insight into the carbon footprint of marketing campaigns for our clients. The Clownfish agency is our centre of excellence for delivering this branding and communications advice
- **Employees** Our annual employee opinion survey, Global Check-in, incorporated 4 questions around social and environmental issues in 2011. Overall, our employees indicated that corporate responsibility and sustainability (in particular the knowledge and capacity to integrate sustainability into job functions) was a key driver of their engagement and commitment to the Group
- **Investors** To meet the growing demand from our investors around the reporting of non-financial information relating to our Corporate Responsibility credentials and how they impact the performance of our business, we continue to disclose key information to the Carbon Disclosure Project (CDP) and the London Benchmarking Group (LBG). In addition, during 2011, we directly engaged with a number of leading Social Responsibility Investment analysis teams for feedback on our Corporate Responsibility strategy, performance and targets, and responded to requests from key Corporate Responsibility agencies, including Trucost and EIRIS. We remain a member of FTSE4Good.

FTSE4Good LBG

2. What's our strategy? /

In 2010, we launched Future Proof, our corporate responsibility and sustainability strategy. Future Proof is about ensuring that, whilst we continue to improve our own performance as an organisation, we also act responsibly in the world around us.

The vision of Future Proof is to "create sustainable connections" through a series of global initiatives that encourage stakeholders to take locally relevant action using digital technology.

The Future Proof framework incorporates our minimum standards around corporate responsibility governance and reporting, sets a strategic direction for our Group with challenging short and long term targets, provides an innovative model to deliver on our commitments and consists of a suite of standard tools and initiatives for all our businesses.

Future Proof makes a valuable contribution to our corporate strategy through five areas of focus:

- **Environment** In the light of rising energy costs and the scarcity of other resources, it is imperative that we sensibly and carefully manage our allocation of financial and talent resources. From a financial point of view, using sustainability to reconsider our resource consumption can lead to significant efficiencies. When we consolidated our 8 offices in London into 1 new green building in 2011, for instance, we saved significantly on energy consumption and costs due to the state-of-the-art ventilation system. In addition, we are saving 26,000 A4 pages monthly due to the introduction of the follow-me printing system and enhanced electronic filing capabilities. From a human resource point of view, employees expect a strong commitment from the Group on sustainability and our activities around enabling sustainable lifestyles through recycling and business travel enhance our ability to engage our employees
- **Community** As brands are engaging their consumer and fan communities on sustainability, it is also essential that we invest in our local communities to learn about consumer attitudes and behaviour, maintain trust in the value of marketing as well as engage our future work force. Our global community initiative GlobalGivingTIME connects our employees with local communities through the sharing of marketing skills and knowledge. The digital nature of GlobalGivingTIME allows us to involve all stakeholders and help them to create practical change. This strengthens our network of relationships and insight into consumer attitudes and behaviour locally and globally. And these digital technologies open up huge opportunities to build scalable, replicable, and connected initiatives that empower people and spark action. We harness the power of digital for our clients to deliver change, whether it is consumer attitudes or behaviour
- **Market place** Using their connected devices, consumers directly engage with brands through content and entertainment. As a result, it takes unique and creative solutions for a brand to stand out in a crowded marketplace. Our employees need to be able to quickly master our clients' brands, understand the target audience and deliver innovative and exciting ways for brands and consumers to connect. Projects such as Posterscope USA's partnership with the United Nations Foundation or Aegis Media Austria's partnership with Lebenshilfe Wien encourage our employees to think differently about problems. Our evaluation of our worldwide community activities in 2011 showed that problem solving was the most improved skill amongst Aegis Media employees, which contributes to delivering innovative solutions for our clients
- **Work place** Being able to attract and retain the best industry talent enhances our ability to re-invent the way brands are built. The central role of digital in any modern marketing campaign has increased the need for digitally savvy staff: only the best industry talent can deliver our corporate vision to re-invent the way brands are built. A coherent and innovative CR strategy is a key element of our recruitment and retention approach: the 2011 Global Check-in (our global employee opinion survey) clearly indicated that Future Proof (the knowledge and capacity to integrate sustainability into employees' functions) is a key driver of employee engagement and commitment. Delivering integrated marketing campaigns in over 80 countries requires that we cultivate collaboration, integration and innovation amongst our employees. The Future Proof framework aims to bring all stakeholders, internally and externally, together to build trust to drive collaboration. Our global initiatives, such as GlobalGivingTIME, are focused on integration across brands and disciplines
- **Governance** Our ability to engage our employees, to be credible to our clients and investors, and to involve our stakeholders in our initiatives depends on the trust in our Group. To enhance the internal and external trust of the Group it is essential to be responsible, responsive and transparent in what we do. Our extensive public reporting and disclosure, with a very honest assessment of our successes and failures, makes a substantial contribution to building trust in our business.

3. Turning risks into opportunities /

The commitments and ambitions of our Future Proof strategy help us manage the key CR risks facing the business.

In 2011, Corporate Responsibility risks were incorporated in the Group risk management process, and the Global CR Manager became a member of the Group Risk Committee.

Our approach to CR risks focuses on the issues that are considered to be most material to Aegis Group plc. In 2011 the standard of our CR risk assessment was increased to better reflect the Group-wide risk identification and evaluation procedures. In addition, for the first time, the Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP) guidelines on risk assessment were applied to the review of the CR Risk Register.

As a consequence, our key CR risks and opportunities have changed substantially. For other Group risks, including those relating to our employees, please see Principal Risks and Uncertainties on pages 30 to 33.

CORPORATE RESPONSIBILITY REPORT
(continued)

3. Turning risks into opportunities / (continued)

ENVIRONMENT

Key risk	Risk assessment	Risk mitigation
Group is not able to predict, afford or respond accurately to the rising expenditure on environmental compliance, reporting and/or environmental emission tax.	Operational disruption due to extreme weather conditions; high operational costs due to increased energy and travel costs; higher tax exposure due to emission taxation; reputation costs connected with not taking any action on environmental stewardship.	CR Department is responsible for minimum standards on environmental performance and reporting. Together with our network of Green Beans it works on decreasing our energy and travel emissions.
Key opportunity	**Potential upside**	**Action**
Industry leadership around environmental management and reporting; additional services purchased by clients around greener advertising campaigns; more effective and innovative campaigns using sustainability as content.	Increased efficiency and cost savings; stronger reputation and visibility by clients around environmental performance; higher revenues and more diversified revenues; more successful new business performance.	CR Department is responsible for meeting CR objectives. Green Thread in ICP developed. Awareness of Future Proof increasing through engaging communications. Client credentials.

PRODUCT RESPONSIBILITY

Key risk	Risk assessment	Risk mitigation
Group is not able to measure, manage and mitigate the potential (negative) community and environmental impacts of its downstream supply chain activities, from ethical advertising to green advertising campaigns.	Unintended impact of the Company's services in the downstream supply chain due to: 1. a breach of standards, voluntary codes related to marketing communications, including advertising, promotion and sponsorship 2. a product/service that is seen as unethical or insensitive, or socially exclusive and/or environmentally polluting.	CR Department is responsible for managing upstream and downstream supply chain monitoring and reporting. Together with brands it monitors compliance on Code of Conduct and industry codes and deploys wide range of community activities.
Key opportunity	**Potential upside**	**Action**
Industry leadership around meeting all industry requirements, and engaging positively with local community. Additional revenues and diversification of revenues due to new services.	Licence to operate; increased new business and client revenue opportunities; stronger client relationships; higher revenues due to new services.	CR Department is responsible for supply chain and community monitoring and reporting; community initiatives such as GlobalGivingTIME deployed.

GOVERNANCE

Key risk	Risk assessment	Risk mitigation
Group is not able to report accurate, reliable and/or credible sustainability & corporate responsibility data, information and statements or is not able to evidence effective sustainability & corporate responsibility measurement, oversight & accountability.	Inability of the Group to 1. show evidence of accurate, effective and credible reporting in the Annual Report & Accounts and the CR Report 2. show evidence of effective scrutiny and oversight of the CR risks, opportunities and programmes 3. identify, manage and mitigate risks & opportunities around sustainability & CR and 4. recognise increasing expectations of stakeholders around governance in this area.	CR Department is responsible for measurement, monitoring and reporting; providing risk register; identifying and mitigating CR risks and meeting stakeholder expectations. The CR Steering Group is responsible for oversight.
Key opportunity	**Potential upside**	**Action**
Industry leadership from reliable and useful monitoring and reporting; exceeding client requirements.	Stronger client relationships; stronger reputation management.	CR Department is responsible for measurement and reporting, improving the quality, reliability and accuracy of the data and responding to client requests.

4. Progress & performance /

As part of the Future Proof strategy, we set ourselves some ambitious targets, both for the short term and the long term. Here we report on our progress.

Short term targets

	2011 Targets		Progress	2012 Targets
ENVIRONMENT	We will confirm a new strategy, targets and base-line year for carbon reduction, including an expansion of our material impacts.	Completed	We completed a strategic review of our environmental strategy. We expanded our material impacts.	We will rally the Green Bean network around 2 global environmental awareness campaigns: Earth Hour/Earth Day and Clean It Up!
ENVIRONMENT	We will expand the Green Bean network and ISO14001 environmental accreditation across our businesses.	Completed	We expanded the Green Bean network internally to full complement. We launched the Aegis Media Green Standard in 4 markets.	We will complete a pilot project around our global environmental initiative. We will work with facilities and management to increase the number of offices having the Aegis Media Green Standard to 10 material markets in 2012.
COMMUNITY	We will roll out the GlobalGivingTIME initiative globally.	On track	We are on track with rolling out the GlobalGivingTIME initiative but have not yet reached global coverage.	Upon reaching global coverage with GlobalGivingTIME, we will launch this global initiative with one of our external stakeholders. We will work with the material markets to launch local partnerships to build on our global initiative.
COMMUNITY	We will expand the Aegis Media CARES network across our businesses.	Completed	We expanded the Aegis Media CARES network to a full complement for every office.	We will rally the Aegis Media CARES network around 2 global community campaigns: Volunteer Challenge and the Olympic Challenge.
MARKET PLACE	We will provide standard structures, useful tools and training for our people to integrate sustainability considerations in product and service delivery.	Completed	We developed the first iteration of the Green Thread as part of our proprietary client delivery tools. We raised awareness on the role of sustainability in marketing.	We will work with the product team to train media planners and buyers in the Green Thread in 2 material markets.
WORK PLACE	We will exploit further opportunities where corporate responsibility can make a vital contribution to the success of our people agenda.	On track	We improved the integration of sustainability in employee recruitment, induction and training but have not yet reached full coverage on learning & development integration.	We will ensure that 65% of our employees know what they can contribute to the Future Proof strategy in their functions.
GOVERNANCE	We will continue to improve the accuracy, robustness and appropriateness of our corporate responsibility governance and reporting structures.	Completed	We increased data quality and reliability through the engagement of internal and external audit. We re-structured risk evaluation and management.	We will increase compliance with internal CR policies and protocols to 85% of our business units. We will achieve a GRI C+ for our CR reporting over 2012.

Completed On track Not yet achieved

CORPORATE RESPONSIBILITY REPORT
(continued)

4. Progress & performance / (continued)

Environment / Enabling sustainable lifestyles

In 2011, we conducted a strategic review of our environmental strategy, targets and base-line year after the expiry of our 2010 targets.

As a result of this review and stakeholder consultation, we decided to expand the scope of our disclosure beyond our energy and business travel emissions, to include indirect greenhouse gas emissions as part of the wider value chain and multiple stakeholders.

Our environmental approach is three-pronged:

- raising internal environmental awareness and activity through our Green Bean network of environmental champions around global campaigns and local initiatives to change behaviour
- working closely with facilities and procurement managers in our material markets to achieve the Aegis Media Green Standard (equivalent to ISO14001) in our material markets
- engaging internal and external stakeholders in a global environmental initiative that uses digital technology to take locally relevant steps to reduce our carbon footprint in our value chain.

What went well?

- Reflecting two years of constant improvement, we achieved our highest ever score in the Carbon Disclosure Project (CDP) in 2011, making us the no. 1 media agency this year. With a disclosure score of 79, the CDP suggests "senior management understand the business issues related to climate change and are building climate change risks and opportunities into core business"
- We achieved an 8.6% decrease in our carbon footprint intensity. We reduced our scope 1+2 emissions intensity by 12.8% and our business travel (scope 3) emissions by 3.4%. This decrease was noticeable across all our regions and represents the outcome of the ongoing Aegis Media Green Standard process and the Green Bean awareness efforts
- We achieved an increase in the rate of recycling and the number of recycling streams across our agencies to 58% in 2011. This is one of the first steps that offices can take to move from our minimum standards on the way to the Aegis Media Green Standard set of best practices.
- For the first time, we disclose an estimate of our downstream scope 3 emissions around the environmental impacts of the media services we provide: 2,163,137 metric tonnes of CO_2. Using the Carbon Track tool, we strongly believe this information sheds light on the position of marketing in global emissions and will open up new avenues to devise environmentally friendly solutions in the marketing value chain
- We launched the Aegis Media Green Standard in 4 markets: Poland, Austria, Switzerland and Germany to work towards reviewing their environmental performance in their offices to reach the best practice of the Aegis Media Green Standard. This process brings together facilities, finance, HR, communications and Green Beans in every market to align their environmental efforts to the global strategy
- As part of an ongoing office consolidation and resource efficiency drive globally, we moved to our new 10 Triton Street headquarters in London. This new building for over 1,000 employees meets the highest environmental standards and is rated BREEAM excellent.

What did not go so well?

- We did not achieve limited assurance on our basic environmental data in 2010. As a result, we were not able to move the baseline year from 2008 to 2010 as planned
- We did not have sufficiently detailed and reliable data on our tier 1 supply chain to establish a first baseline of our upstream scope 3 emissions. As a result of our initial assessment in 2011, it was determined that our only global supply line is our IT hardware and software (from laptops to servers). In our decentralised management structure, our other suppliers are selected and managed at a local level
- We have not been able to launch a global initiative that meets our Future Proof model: using digital innovation to enable employees and other stakeholders to take direct, locally relevant action to reduce environmental pollution.

2012 Targets

We will rally the Green Bean network around 2 global environmental awareness campaigns: Earth Hour/Earth Day and Clean It Up!

We will complete a pilot project around our global environmental initiative.

We will work with facilities and management to increase the number of offices having the Aegis Media Green Standard to 10 of our material markets in 2012.

Community / Promoting sustainable communities

With the achievement of our community target in 2010, our community strategy remained the same throughout 2011.

As part of the strategic review, however, new targets were confirmed and the scope of community investment was increased to include all our stakeholders.

Our community approach is three-pronged:

- raising internal social awareness through our Aegis Media CARES network of community champions around global campaigns to build a culture of volunteering
- working with material markets to launch specific local partnerships to build on our global community initiative
- engaging internal and external stakeholders in our global community initiative GlobalGivingTIME that uses digital technology to take locally relevant steps to increase our community investment.

What went well?

- We remained part of the FTSE4Good index, which includes all environmentally and socially responsibly run companies in the FTSE. We scored above average in the first ESG assessment as part of FTSE4Good in 2011
- Building on our first attempt last year, we measured our community impacts based on the London Benchmarking Group (LBG) guidelines for reporting charitable activities. This has resulted in a better ability to evaluate the impact of Future Proof on local communities, and a deeper level of insight into our activities, both in terms of inputs and outputs
- We continued to increase the value of our community investment to £5.48m in 2011, a threefold increase on 2010. This represents 3.4% of pre-tax profits, 0.5% of revenues and approximately 0.6% of our employees' time, expertise and knowledge. This puts us well on track to reach our goal of sharing 1% of employees' time by 2015
- We increased our level of employee engagement by 12.5% in 2011 to a total of 3,128 employees involved in Future Proof. In total, they volunteered 17,490 hours for charitable causes
- The top 3 charitable causes across our global network were Education & Young People, Social Welfare and Health. We also saw a shift from "charitable gifts" (one-off donations) to more strategic and longer-term engagements. An example of this is Aegis Media Switzerland's launch of the "Kanzlei Kinder" project, focused on cleaning up the local square for children to use
- In 2011, 346 charities were helped in 210 activities, with a total of 4,777 beneficiaries, of which 60.5% reported a positive change in behaviour or attitude as a result of our support
- The top impacts on our employees include 74.4% of employees indicating a positive change in attitude and behaviour. They also reported an increase in problem solving and communication skills, for instance, as a result of using GlobalGivingTIME in 2011. Our champions reported that 55.7% of our charitable activities increased employee pride and commitment in Aegis, with 15.2% raising the profile of the company
- We were able to measure our community investment both in terms of generic time and specialist pro-bono volunteering for the first time, and gained a good insight into the leverage our charitable activities provided for further fundraising and corporate support through discounted and/or free media space for charitable partners. In association with our media partners, around £3.45m worth of media space was procured for supported charities, and a total of £0.45m in pro bono time donated.

What did not go so well?

- We did not achieve limited assurance on our basic community data in 2010. As a result, we were not able to move the baseline year from 2008 to 2010 as planned
- We did not succeed in fully rolling out the GlobalGivingTIME initiative to all our markets in 2011. This is partially due to this year's strategic review, but also due to significant restructuring across regions in 2011
- Not every one of our material markets developed a specific local partnership in 2011 to build on our global community initiative.

2012 Target

We will rally the Aegis Media CARES network around 2 global community campaigns, our Volunteer Challenge and our Olympic Challenge.

Upon reaching global coverage with GlobalGivingTIME, we will launch this global initiative with one of our external stakeholders.

We will work with the material markets to launch a local partnership to build on our global community initiative GlobalGivingTIME.

CORPORATE RESPONSIBILITY REPORT
(continued)

4. Progress & performance / (continued)

Market place / Pioneering and ambitious

Our focus is on integrating sustainability considerations in our products and services.

As a trusted part of brands' supply chains, we worked hard in 2011 to deliver pioneering and ambitious communication solutions to our clients. Increasingly, clients deploy sustainability as more than a point of compliance but as a point of competitive differentiation as well as an opportunity to engage their customers actively around their products.

Our market place approach is three-pronged:

- meeting and exceeding our clients' requirements around sustainability and corporate responsibility in their supply chain
- investing in training for our client practitioners to raise awareness of and proficiency in developing effective and successful but greener marketing campaigns
- raising awareness internally and externally around the role sustainability plays in delivering content and entertainment and its contribution to brand development.

What went well?

- The CR Department contributed and responded to a record number of RfPs, RfQs, tenders, pitches and supplier charters this year, with a 5 fold increase on requests since 2010. We were proud to meet our clients' sustainability requirements and gained Sustainable Supply Chain Data Exchange (Sedex) membership. We also responded to Ecovadis and CDP Supply Chain requests on behalf of our clients
- In conjunction with our sustainability communications agency Clownfish, we developed the first iteration of the Green Thread as part of our proprietary client delivery tools. With input from representatives across our agencies, we built a number of key consumer insights, client case studies and best practice to highlight the role sustainability could play in delivering more sustainable marketing campaigns
- Aegis Media was recognised for its leadership role in the World Economic Forum (WEF) "Scaling Sustainable Consumption" initiative. The Chair of the CR Steering Group, Nigel Morris, contributed to its development in 2011, culminating in a report in January 2012 at the Davos annual meeting, where he hosted a panel around this issue.

What did not go so well?

- We are not yet able to meet sub-contractor (i.e. our Tier 1 or Tier 2 suppliers) expectations of our clients. This is the result of our materiality assessment, where our Tier 1 supply chain was not deemed as important as other, more direct emissions. However, we discern a trend towards our sub-contractors being regularly included in our clients' supplier charters and may well have to be included to be able to meet these new requirements in the near future.

2012 Target

We will work with the product team to train media planners and buyers in the Green Thread in 2 material markets.

Work place / Rewarding and connected

We want to foster a rewarding and connected work place, which stimulates collaboration and innovation.

To meet and exceed our clients' expectations, we need to attract, develop and retain the best industry talent, ensuring they have the skills that reflect the converging nature of media, such as digital and insight capacity.

Our work place approach is three-pronged:

- meeting and exceeding employees' expectations around corporate responsibility and sustainability to enhance engagement and commitment of our workforce
- stimulating a culture of innovation and collaboration internally through using sustainability initiatives to break down geographic and brand barriers, and build trust
- developing our talent through the effective integration of sustainability in the induction, learning & development and management training across the Group.

What went well?

- Enhancing employee engagement and commitment is a key part of our sustainability initiatives. In 2011, 47% of employee volunteers responded that "it made me proud of the company as it has a better reputation"
- In 2011, our annual employee opinion survey, Global Check-in, indicated that corporate responsibility and sustainability is a key aspect of employees' engagement and commitment to the Group. In particular, the knowledge and capacity to integrate sustainability into one's function was a key driver and 53% of our employees indicated they felt they knew how Future Proof was contributing to doing a better job
- In 2011, our sustainability initiatives made a valuable contribution towards learning & development of our people. For instance, our evaluation showed that the most improved skills through volunteering on GlobalGivingTIME were communication, adaptability and problem solving. This focus on up-skilling and capacity building for Aegis employees makes a robust contribution to the Group's sustainability in the longer term
- We launched our Code of Conduct in 6 languages in 2011 to reinforce the importance of meeting high standards of ethical behaviour. Employees can report any potential breaches of the Code of Conduct to the dedicated Speak Up facility completely confidentially.

What did not go so well?

- We did not achieve widespread integration of sustainability in induction, training & development and management training beyond the UK and US markets. This reflects the devolved nature of learning and development in 2011, with local markets having responsibility for the development and execution of these programmes.

2012 Target

We will ensure that 65% of our employees know what they can contribute to the Future Proof strategy in their functions.

Governance / Responsible, responsive and transparent

The CR Steering Group met 5 times in 2011 to hold the CR Department and the Group to account on the progress and performance of Future Proof. Its remit is to uphold the highest governance standards around corporate responsibility and sustainability across Aegis.

Our governance approach is three-pronged:

- recognising our corporate responsibility by taking a leadership position around the role of sustainability in media and marketing, from emissions to responsible advertising
- showing responsiveness by proactively engaging with our internal and external stakeholders and responding to their comments and concerns
- striving for transparency through disclosing the good and the bad news, and progressively disclosing more indicators to present a fuller picture of the value chain.

What went well?

- In 2011, we were awarded the ICSA Hermes Transparency in Governance Award for Best Sustainability and Stakeholder Disclosure in the FTSE250. This reflects our commitment to being responsible, responsive and transparent in our CR reporting. The judges commented that Aegis was chosen not just for its clear explanation of progress made over the year but also for its honesty on a range of sustainability topics and related challenges regarding its Future Proof programme
- We executed our first CR Audit Plan in 2011 in conjunction with Internal Audit and our external CR auditors PricewaterhouseCoopers. As part of our Compliance Certification process, compliance with internal policies such as the CR Reporting Policy and Charitable Donations Policy is assessed. More than 75% of our entities self-reported compliance on internal CR policies. In addition, the CR Department also executed detailed audit visits to assess compliance with the CR Protocol in Austria, Switzerland, Germany, United Kingdom, Italy, United States and Canada. Whilst no substantial non-compliance was uncovered, recommendations for improvement were made
- In 2011, CR risks were incorporated in the Group risk management process and the Global CR Manager became a member of the Group Risk Committee. This also led to a significant upgrade of risk identification and evaluation standards, using both Internal Audit as well as GRI guidelines on CR risks to review materiality in the CR Risk Register.

What did not go so well?

- Whilst we engaged investors and investment companies on our sustainability progress, we have yet to approach clients, suppliers or vendors for feedback
- Feedback from a range of internal and external stakeholders indicated that our short and medium term targets were not sufficiently monitored with KPIs to be able to be scrutinised and benchmarked appropriately.

2012 Target

We will increase compliance with internal CR policies and protocols to 85% of our business units.

We will achieve a GRI C+ for our CR reporting over 2012.

CORPORATE RESPONSIBILITY REPORT
(continued)

4. Progress & performance / (continued)

Long term targets – summary

	2015 Targets		Progress
ENVIRONMENT	We will reduce our carbon footprint per average full-time employee by 20% by 2015.	On track	We are on track to achieve this target. In 2011, we decreased our carbon footprint intensity by 8.6%.
ENVIRONMENT	We will enable our stakeholders (suppliers, clients, vendors and consumers) to reduce their carbon footprint.	Not yet achieved	We are not yet on track to achieve this target. We have not yet developed, piloted and launched a global environmental initiative for our stakeholders.
COMMUNITY	We will donate 1% of our employees' time to charitable causes by 2015.	On track	We are on track to achieve this target. In 2011, we increased the donation to 0.6% of our employees' time.
COMMUNITY	We will enable our stakeholders (suppliers, clients, vendors and consumers) to increase their community involvement.	Not yet achieved	We are not yet on track to achieve this target. We have not yet launched our GlobalGivingTIME initiative beyond our internal stakeholders.
MARKET PLACE	We will ensure that 90% of our practitioners receive training in client delivery tools incorporating community and environmental considerations.	On track	We are on track to achieve this target. We completed the first iteration of the Green Thread in 2011 and are set for launch and implementation in 2012.
WORK PLACE	We will ensure that 90% of our employees know what they can contribute to the Future Proof strategy in their roles by 2015.	On track	We are on track to achieve this target. In 2011, our employee opinion survey, Global Check-in, indicated that currently 53% of our employees globally know what it takes for them to contribute to Future Proof.
GOVERNANCE	We will achieve a GRI A+ accreditation on our annual CR reporting by 2015.	On track	We are on track to achieve this target. In 2011, our CR Risk Register was updated by undertaking materiality tests in line with GRI guidelines. We will separately publish our first GRI CR Report.

Completed   On track   Not yet achieved

5. Key data /

Greenhouse Gas Emissions CO_2 '000 tonnes	**2011**	2010	2009	Adjusted baseline 2008
Scope 1 + Scope 2 GHG emissions	15,258	14,863	14,994	11,526
Scope 3 – GHG emissions from business travel	13,572	11,935	10,038	9,232
Total gross emissions	28,830	26,799	25,032	20,757
Intensity	2.38	2.60	2.45	1.99
Scope 3 – GHG emissions from media	2,163,137	n/a	n/a	n/a

Community investment In GBP '000	**2011**	2010	2009	Adjusted baseline 2008
Financial contributions	1,072	130	172	1,880
of which employee fundraising	119	n/a	n/a	n/a
Time contributions	194	787	200	75
In-kind contributions	3,999	253	853	455
of which pro-bono time	451	n/a	n/a	n/a
of which leverage such as media space	3,455	n/a	n/a	n/a
Management costs	220	75	n/a	n/a
Total contributions	**5,484**	**1,245**	**1,212**	**2,410**
% of pre-tax profits	3.4%	1.0%	0.3%	1.0%
Total number of employee volunteers	3,128	2,737	1,066	2,811
Total number of hours volunteered by employees	17,490	25,681	n/a	n/a

Notes
Environmental impacts are restated in previous periods to exclude Synovate but to include, in all previous years, the environmental impacts for acquisitions completed up to the end of 2010.

The community investment information in previous years is restated on a Retained Group basis.

Scope 1 includes greenhouse gas (GHG) emissions from natural gas only
Scope 2 includes GHG emissions from the consumption of conventional electricity only
Scope 3 – GHG emissions from business travel includes emissions resulting from business travel with trains, airplanes and cars
Scope 3 – GHG emissions from media includes emissions resulting from the dissemination of advertising through media channels such as cinema, TV, newspapers, magazines and outdoor

Intensity is based on our gross emissions per average Full Time Equivalent (FTE) employee

Not included are:
- GHG emissions from refrigerants, oil, and other gases than CO_2;
- GHG emissions resulting from our consumption of paper and water, or our disposal of waste;
- GHG emissions through our tier I and II suppliers (our upstream supply chain).

Financial contributions refers to corporate charitable donations including employee fundraising facilitated by the Group

Time contributions refers to the monetary equivalent of the time donated by Group employees during working hours

In-kind contributions refers to the monetary equivalent of the in-kind donations by the Group, including the donation of free or heavily discounted media and marketing services ("pro bono") and other donations leveraged by our employees from clients and suppliers such as free or discounted media space.

Management costs refers to the monetary equivalent of the time invested by Group employees in organising, managing and reporting on community activities

6. Contacts and feedback /

We welcome feedback. If you have any comments regarding this CR Report or any aspect of Aegis Group's corporate responsibility and sustainability work, please contact:

Frank Krikhaar
Global Corporate Responsibility Manager
Aegis Group plc
10 Triton Street
Regent's Place
London NW1 3BF

For more information on our corporate responsibility and sustainability work, or if you would prefer to email us with your comments, please visit our website at **www.aegisplc.com** or email **futureproof@aegisplc.com**

BOARD OF DIRECTORS

John Napier
Chairman

Nomination Committee Chairman, member of Remuneration Committee

John Napier joined the Board in June 2008 and became Chairman in July 2008. From December 2008 to May 2010 he also served as Chief Executive on an interim basis. John is also Chairman of RSA Insurance Group plc, a position he has held since 2003. John was Chief Executive of Hays plc from 1990 to 1998. From 1998 he was Chairman of Booker until its sale to Iceland in 2000, and Chairman of Kelda from 1999 to 2008. Prior to that he was Chief Executive of AGB, the market research and information company and worked 10 years overseas in Australia as an Executive Director of James Hardie Industries.

John Napier
Chairman

Jerry Buhlmann
CEO, Aegis Group plc and Aegis Media

Member of Nomination Committee

Jerry Buhlmann was appointed Group CEO in May 2010, having joined the Board in June 2008 as CEO of Aegis Media. Jerry has over 25 years' experience in the media and advertising industries. From 2003 to May 2008 he was CEO of Aegis Media EMEA. Between 2000 and 2003, Jerry was CEO of Carat International. In 1989 he founded media agency BBJ, which was sold to Aegis in 1999.

Jerry Buhlmann
CEO, Aegis Group plc and Aegis Media

Nick Priday
Chief Financial Officer, Aegis Group plc and Aegis Media

Nick Priday was appointed Chief Financial Officer in September 2009. Nick has held a variety of finance roles at Aegis since joining in 2003, and was previously director of financial reporting, analysis and control. He qualified as a chartered accountant with Ernst & Young.

Nick Priday
Chief Financial Officer, Aegis Group plc and Aegis Media

Harold Mitchell, AC
Executive Chairman, Aegis Media Pacific (Australia and New Zealand)

Harold Mitchell, AC was appointed to the Board in December 2010 following the Group's acquisition of Mitchell Communication Group Limited, of which he was founder and executive Chairman. Harold is based in Australia, where he is a non-executive director of Crown Limited and Chairman of ThoroughVision Pty Ltd. He holds a large number of community and arts roles, being the founder of the Harold Mitchell Foundation and serving as Chairman of CARE Australia, Melbourne Rebels Rugby Union, the Melbourne Symphony Orchestra, Melbourne Recital Centre, Art Exhibitions Australia, Television Sydney (TVS) and The Melbourne City School. He is also Vice-Chairman of Tennis Australia and a non-executive director of Deakin Foundation.

Harold Mitchell, AC
Executive Chairman, Aegis Media Pacific (Australia and New Zealand)

John Brady
Non-executive director

John Brady
Non-executive director

Member of Remuneration Committee and Nomination Committee

John Brady joined the Board in August 2009. He also serves on the Boards of Greene King plc, Osborne Clarke LLP, Triumph Motorcycles Ltd and Invest Northern Ireland as a non-executive director, and was previously a non-executive director of Hanson plc. Between 1980 and 2004 he worked for McKinsey & Company, the international management consultancy. He was made a director in 1994 and had a range of senior roles including responsibility for McKinsey's European Retail and Marketing practices.

Simon Laffin
Non-executive director

Simon Laffin
Non-executive director

Audit Committee Chairman, member of Nomination Committee

Simon Laffin joined the Board in August 2009. He is Chairman of Hozelock Group and Assura Group Limited, a non-executive director of Quintain Estates & Development PLC and an advisor to CVC Capital Partners. From 2007 to 2008 he served as a non-executive director of Northern Rock, as part of the rescue team, and from 2009 to 2010 served on the Board of Mitchells & Butlers plc. Between 1995 and 2004 he was Group CFO of UK grocery retailer Safeway, which he joined in 1990. He is a qualified accountant.

Martin Read, CBE
Non-executive director

Martin Read, CBE
Non-executive director

Member of Audit Committee and Nomination Committee

Dr Martin Read joined the Board in August 2009. He is Chair of the Remuneration Consultants Group and a non-executive director of Invensys plc, Lloyds of London and the Cabinet Office Efficiency and Reform Board. He was Chief Executive of Logica plc, the international IT services company, from 1993 to 2007 and has served as a non-executive director on the boards of British Airways, Siemens Holdings, Boots and ASDA.

Charles Strauss
Non-executive director, Senior independent director

Charles Strauss
Non-executive director, Senior independent director

Member of Audit Committee and Nomination Committee

Charles Strauss joined the Board in September 2003. He is a non-executive director of The Hartford Financial Services Group, St. Vincent's Medical Center and St. Vincent's Health Services in the US. He is a US national with 35 years' international experience in consumer products businesses, including 18 with Unilever. From 2000 to 2004 Charles served on the Unilever Board as Group President, Unilever Home & Personal Care, Chairman of Unilever's North American Committee, and its US President and CEO. He was formerly a director of The Hershey Company.

Lorraine Trainer
Non-executive director

Lorraine Trainer
Non-executive director

Remuneration Committee Chairman, member of Nomination Committee

Lorraine Trainer joined the Board in August 2005. She is also a non-executive director of Jupiter Fund Management plc. She has held a number of human resource leadership roles in international organisations, focusing on performance and development. These include Citibank, the London Stock Exchange and Coutts, then part of the NatWest Group. She now runs a business in board advisory work and development. She also has significant experience of working with arts organisations and the not-for-profit sector.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2011. The Business and Financial Reviews set out on pages 6 to 43 and the Corporate Governance Statement set out on pages 51 to 55 form part of this report.

Results and dividends /
The consolidated income statement is set out on page 65 and shows a profit for the financial year of £165.3m (2010: £43.0m). An interim dividend of 1.08p per ordinary share was paid on 23 September 2011 to ordinary shareholders, shortly before a 10 for 11 share consolidation, described further on page 47, was undertaken on 24 October 2011. This payment is equivalent to a dividend of 1.19p per share on a post-consolidation basis.

The directors recommend a final dividend for the year of 2.01p per ordinary share which, if approved at the Annual General Meeting, will be payable on 4 July 2012 to ordinary shareholders registered at 15 June 2012. If approved, this will make a total dividend for the year of 3.20p per share on a post-consolidation basis, excluding the special dividend announced on 14 October 2011. This special dividend of 15.53p per share (equivalent to 17.08p per share on a post-consolidation basis) was paid on 2 November 2011, following the sale of Synovate, and increases the total dividend for the year to 20.28p per share on a post-consolidation basis. The total dividend for 2010 was 2.75p per share.

Principal activity /
The principal activity of the Company is that of a holding company based in London. Its subsidiaries and related companies within the Aegis Media division provide a broad range of services in the areas of media and digital communications, while Aztec operates a scan data services provision business.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 16 to the parent company financial statements. The Company has a branch in Luxembourg.

Review of business and future developments /
A review of the business and likely future developments of the Group is given in the Chief Executive's report on pages 8 to 11, the Business Reviews on pages 12 to 23 and the Financial Review on pages 24 to 29. Those sections form part of, and are incorporated by reference within, this Directors' report.

Financial instruments /
Information about the use of financial instruments by the Company and its subsidiaries is given in Note 20 to the financial statements and in the Principal Risks and Uncertainties section on pages 30 to 33.

Post-balance sheet events /
The directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements other than those disclosed in Note 34 to the financial statements on page 117.

Donations /
The Group's approach with respect to charitable donations and the amounts donated are detailed on pages 39 to 40. No political donations were made by the Company during the year.

Supplier payment policy /
The Company does not impose a formal code of payment practice on its subsidiaries. However, the Group's policy is to try to create relationships with its suppliers such that they trust us and want to do business with us. In selecting external suppliers we use competitive processes that are fair and transparent, and designed to maximise value and quality of service for our clients and ourselves.

At 31 December 2011, the Group had 42 days' purchases outstanding (2010: 50 days). The creditor day analysis is not applicable to the holding company.

Directors /
The names of the directors at the date of this report and their biographical details are given on pages 44 and 45.

The only change to the Board during the year was the retirement of Robert Philpott on 31 December 2011.

The interests of the directors in the shares and share incentives of the Company are shown in the Remuneration report on pages 60 to 62.

Re-election of directors /
The Board notes that the UK Corporate Governance Code issued by the Financial Reporting Council (the "Corporate Governance Code") provides for the annual re-election of all directors. As explained in the Directors' report last year this is not without risk, and the Company chose not to implement this provision at the 2011 Annual General Meeting. The Board continues to have this view and believes it is in the interests of the Company's shareholders as a whole not to put up all directors simultaneously in 2012. John Napier, Chairman, Jerry Buhlmann, CEO and Nick Priday, CFO will all offer themselves for re-election at the Annual General Meeting.

Details of all the directors' service agreements, including notice periods, are given in the Remuneration report on page 58.

Directors' indemnities /
A qualifying third party indemnity ("QTPI"), as permitted by the Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of its directors. Under the QTPIs the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgement is given against the director. Directors resigning from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

Substantial shareholdings /

	As at 31 December 2011		Notifications received between 1 January 2012 and 13 March 2012	
Shareholder	Number of shares	%	Number of shares	%
Bolloré Group	309,919,927	26.46	–	–
Fidelity (FMR LLC)	–		58,831,354	5.01*
BlackRock	59,446,307	5.08	58,357,136	4.98**
BlackRock			58,724,187	5.01*
Mitchell family	48,965,019	4.18	–	–
Norges Bank	46,436,386***	3.96	–	–
Legal & General Group	42,363,387***	3.62	–	–
Standard Life	39,495,036***	3.37	–	–

* notification received on 7 March 2012
** notification received on 9 January 2012
*** based on notifications made prior to, and then adjusted for, the 10 for 11 share consolidation effected in October 2011 (referred to below)

At the dates indicated above the Company had been notified of interests of 3% or more in its ordinary shares as indicated above, in accordance with chapter five of the Disclosure and Transparency Rules, or understood such interests to exist as a result of enquiries made on its behalf.

Except as set out in the table above, no interests have been disclosed to the Company in accordance with chapter five of the Disclosure and Transparency Rules between 1 January 2012 and 13 March 2012.

Share capital /

Details of the authorised and issued share capital, together with details of movements in the Company's issued share capital during the year, are shown in Note 23 to the financial statements on page 109.

On 24 October 2011 the Company undertook a 10 for 11 share consolidation, as a result of which the number of shares in issue was reduced by 117,087,928 and the nominal value of the Company's ordinary shares was increased from 5p per share to 5.5p per share. This share consolidation took effect following the declaration of a special dividend of 15.53p per share to shareholders on the register at close of business on 21 October 2011. The dividend was paid on 2 November 2011 and was funded out of the proceeds from the sale of Synovate. The special dividend is equivalent to 17.08p per share on a post-consolidation basis.

The Company has one class of share capital that is divided into ordinary shares of 5.5p each and that carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding or the transfer of shares or voting rights, which are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights, although the Company has entered into an agreement with Harold Mitchell, one of the executive directors, restricting his ability to sell shares in the Company prior to November 2012, as described more fully in Note 33 on page 117.

The trustees of the Aegis Group Employee Share Trust (the "Trust") have agreed to waive any right to dividend payments on shares held within the Trust. This waiver was applied in respect of all dividends paid during the year, including the special dividend paid on 2 November 2011 following the disposal of Synovate.

Details of the shares held by the Trust are set out in Note 24 to the financial statements. The trustees of the Trust may vote or abstain from voting on shares held in the Trust in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the Trust.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The directors are authorised to allot unissued shares in the Company up to a maximum nominal amount of £21,435,020. No shares have been issued or allotted during the year under the authority held by the directors, nor is there any current intention to do so, save for shares issued to satisfy existing obligations, including the exercise of share options. This authority is valid until the date of the forthcoming Annual General Meeting at which time a resolution will be proposed to renew the authority as detailed in the accompanying circular.

The Company has not purchased, or created any charges over, its own shares in the year ended 31 December 2011. The Company has not had the authority to allot shares without regard to the pre-emption provisions of the Companies Acts, or to purchase its own shares, since the 2008 Annual General Meeting.

Appointment and replacement of directors /

With regard to the appointment of directors the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Acts and related legislation.

The Company is required to have no fewer than two and no more than 16 directors. Directors may be appointed by the Company by ordinary resolution or by a resolution of the Board. A director appointed by the Board holds office until the following annual general meeting but is then eligible for re-appointment.

The Articles of Association provide that, at every annual general meeting, any director who held office at the time of the two preceding annual general meetings and who did not retire at either of them must retire and may offer himself for re-election. In addition, any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting must also retire and may offer himself for re-election. At the annual general meeting at which a director retires, shareholders can pass an ordinary resolution to re-elect the director or to elect some other eligible person in his place.

REPORT OF THE DIRECTORS
(continued)

The only people who can be elected as directors at an annual general meeting are: (i) directors retiring at the meeting; (ii) anyone recommended by the directors; and (iii) anyone nominated by a shareholder. The nominating shareholder must be entitled to vote at the meeting. He must deliver to the Company a letter stating that he intends to nominate another person for election and the written consent of that person to be elected. These documents must be delivered to the Company not less than seven and not more than 42 days before the day of the meeting.

The Company may by special resolution remove any director before the expiration of his term of office. A director automatically stops being a director if: (i) he resigns; (ii) he offers to resign and the Company accepts his offer; (iii) all of the other directors (being at least three in number) pass a resolution or sign a written notice requiring his resignation; (iv) he is or has been suffering from mental or physical ill health and the directors pass a resolution removing him from office; (v) he is absent without the permission of the Board for a continuous period of six months and the directors pass a resolution removing him from office; (vi) he becomes bankrupt or makes a composition with his creditors generally; (vii) he is prohibited by law from being a director; or (viii) he ceases to be a director under legislation or is removed pursuant to the Articles.

Significant agreements /
The following significant agreements contain provisions entitling the counterparties to, or the holders of notes or bonds issued pursuant to, those agreements to exercise termination or other rights in the event of a change of control of the Company:

- £450,000,000 multicurrency credit facility agreement dated 26 July 2010 between, amongst others, the Company, The Royal Bank of Scotland plc (as agent) and the financial institutions named therein as banks (the "Facility")

  On a change of control of the Company, unless the Majority Banks (as defined therein) otherwise agree, all loans, letters of credit and guarantees, together with all accrued interest and other sums payable under the agreement, must be prepaid and, upon such prepayment being made, the total commitments of the banks under the Facility will be cancelled and reduced to zero
- £60,000,000 facility agreement dated 20 June 2011 between a wholly owned subsidiary of the Company and The Royal Bank of Scotland group, guaranteed by the Company (the "RBS Facility")

  On a change of control of the Company the lender has the ability to require prepayment of any amount outstanding under the RBS Facility, whereupon the Facility will be cancelled
- Note purchase agreements dated 28 July 2005, 17 September 2007 (as amended) and 17 December 2009 (the "Note Purchase Agreements") pursuant to which notes amounting in aggregate to US$342,000,000 (the "2005 Notes"), US$125,000,000 (the "2007 Notes") and US$183,000,000 and £25,000,000 (the "2009 Notes", together with the 2005 Notes and the 2007 Notes, the "Notes") respectively were issued by the Company

  Each holder of Notes has an option, on a change of control of the Company, to require the Company to prepay the entire principal amount of the Notes held by that holder together with interest accrued thereon and the Make-Whole Amount (as defined in each of the Note Purchase Agreements)
- Pursuant to a subscription agreement dated 18 March 2010 between, amongst others, Aegis Group Capital (Jersey) Limited as issuer (the "Issuer"), the Company as guarantor and the financial institutions named therein as managers and pursuant to a trust deed dated 20 April 2010 between the Issuer as issuer, the Company as guarantor and Citicorp Trustee Company Limited as trustee, the Issuer issued £190,600,000 2.50% guaranteed convertible bonds due 2015 (the "Convertible Bonds")

  On a change of control of the Company the holder of each Convertible Bond will have the right to require the Issuer to redeem the Convertible Bond at its principal amount together with accrued unpaid interest.

Employment policies /
The Group operates throughout the world and therefore has developed employment policies that meet local conditions and requirements. These policies are based on the best traditions and practices in any given country in which it operates. See further pages 31 and 35 to 36.

Human rights, diversity and disability /
The Group has a series of human resources policies that require its employees to act respectfully and responsibly at all times. These policies include policies on human rights, diversity and disability.

We are committed to treating each employee and applicant fairly and equitably. Employment decisions are based on merit, experience and potential, without regard to race, nationality, sex, marital status, age, religion or sexual orientation. We are committed to following the applicable labour and employment laws in all of the jurisdictions in which we operate.

We believe that disabled people have the same rights as anyone else to become, and continue to be, employees of the Group. Wherever possible, we provide the same opportunities for disabled people as for others. If any of our employees become disabled we make every effort to keep them in the Group's employment, with appropriate training where necessary.

Employee involvement /
We have employee consultation processes throughout our business in accordance with local laws. In addition, we update all of our employees on a regular basis with Group developments and progress through newsletters, internal publications, senior management notes and face-to-face meetings.

Annual General Meeting /
The Annual General Meeting will be held in the Wren Room at the Royal Institute of British Architects, 66 Portland Place, London W1B 1AD on Thursday 10 May 2012 at 11.00am.

Enclosed with this report is a circular containing a letter from the Chairman to shareholders and the formal notice convening the Annual General Meeting.

Auditors /
In June 2011 the Company announced that, following a competitive tender for the selection of an audit firm, Ernst & Young LLP had been appointed as the Company's auditor and Deloitte LLP had resigned. Ernst & Young LLP have expressed their willingness to continue in office as auditors and resolutions to appoint Ernst & Young LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' confirmation /
Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern /
The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Business and Financial Reviews on pages 6 to 43.

The Board is satisfied that the Group balance sheet remains strong. Following the financing activities in 2010, which extended the Group's maturity profile, and retention of a substantial part of the net sale proceeds from the Synovate disposal, the Group is well-financed with considerable cash and covenant headroom. A tranche of the 2005 Notes amounting to US$159,000,000 matures in July 2012. The Group has sufficient liquidity to meet the maturity from its own financial resources.

During 2011 the Group has continued to generate positive operating cash inflows from operations before tax, acquisitions and capital expenditure.

The main factors contributing to these cash inflows are the retention and growth of the customer base, terms of trade with customers and suppliers and the continuing management of working capital within the Group. The Board has concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the terms of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and is satisfied that a range of actions including cost reduction activities could be adopted if and when necessary.

After making these enquiries, the Board is satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for 2011. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt about the ability of the Group to continue as a going concern have been identified by the directors.

By order of the Board

Andrew Moberly
Company Secretary

14 March 2012

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement /
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Business and Financial reviews, which are incorporated into the Directors' report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jerry Buhlmann
Chief Executive Officer

Nick Priday
Chief Financial Officer

14 March 2012

CORPORATE GOVERNANCE

The following sections explain how the Company applies the main and supporting principles and the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (the "Corporate Governance Code"). The Board confirms that throughout 2011 the Company has complied with the relevant provisions of the Corporate Governance Code save as detailed below.

The Board /

All directors are collectively responsible for the overall success of the Company and for the creation of long-term shareholder value. Executive directors have direct responsibility for business operations, whereas the non-executive directors have a responsibility to bring independent, objective judgement to bear on Board decisions. This includes constructively engaging with and challenging management, helping in the development of the Company's strategy, satisfying themselves on the adequacy of the reporting and management information standards and reviewing the effectiveness of the executive management.

Throughout 2011 the Board comprised ten directors – the Chairman, four executive directors and five independent non-executive directors. Following the retirement of Robert Philpott, formerly CEO of Synovate, on 31 December 2011 the Board comprises nine directors. Details of the current directors and their biographies are set out on pages 44 and 45. The directors have a broad range of expertise and experience, which we believe contributes significantly to the effectiveness of the Board.

Each of the non-executive directors has confirmed that they have been throughout the year, and continue to be, independent of the management of the Group and free from any business or other relationship that could materially affect the exercise of their independent judgement. The Chairman was independent at the time of his appointment.

The other significant commitments of the Chairman are set out in his biography on page 44.

The Board believes, in principle, in the benefit of executive directors and other senior employees accepting external non-executive directorships in order to broaden their skills and knowledge for the benefit of the Company. The Board's policy on external appointments is designed to ensure that employees remain able to discharge their responsibilities to the Group. Directors and employees are usually permitted to retain any fees in respect of such appointments.

Directors must not vote in respect of any contract or other proposal in which they (or any person connected with them) have a material interest otherwise than by virtue of their interests in securities of the Company. The Articles of Association were amended by shareholders at the 2009 Annual General Meeting to address the new statutory provisions regarding directors' duties in relation to conflicts of interest which came into force on 1 October 2008 under the Companies Act 2006. The Company has taken steps to ensure compliance with the new law on conflicts of interest and has procedures in place to identify and deal with any conflict situations should they arise. Those procedures have operated effectively throughout 2011. They include procedures for the Board to authorise any conflicts that may arise if necessary and a regular review of all such actual and potential conflicts (last undertaken in March 2012).

To avoid potential conflicts of interest, non-executive directors are required to consult with the Chairman before taking up any additional external appointments.

Charles Strauss is the senior independent director and he is responsible for undertaking the annual review of the Chairman's performance and chairing the Nomination Committee when considering the role of Chairman. He is available to shareholders if they need to convey concerns to the Board other than through the Chairman or Chief Executive Officer.

In accordance with the Articles of Association directors appointed to the Board since the previous annual general meeting, those who have not been subject to re-election at the previous two years' annual general meetings and non-executive directors who have served nine years or more on the Board are all required to retire (and may offer themselves for re-election) at the next annual general meeting. See further the section on re-election of directors on page 46. No Board appointments were made in 2011.

The roles of Chairman and Chief Executive Officer are performed by separate individuals in accordance with the Corporate Governance Code. The division of responsibilities between the Chairman and Chief Executive Officer is set out in formal responsibility statements which have been agreed by the Board.

The Chairman's role includes responsibility for:

- The composition and effective leadership of the Board in reviewing and agreeing the recommended strategic plans and operating budgets
- Ensuring the Board receives relevant and timely information
- Ensuring that appropriate and related objectives are established for the Chief Executive Officer and his direct reporting team
- Reviewing overall executive performance
- Maintaining effective communication with shareholders
- Supporting the Chief Executive Officer.

The Chief Executive Officer's role includes responsibility for:

- Developing, agreeing and executing the Group's strategic plan
- Establishing clear operational performance objectives with senior colleagues
- Leading the executive management team
- Leading the management of relationships with external stakeholders including the business community, the City, shareholders, potential investors and the public
- Keeping the Board informed of all relevant matters.

CORPORATE GOVERNANCE

(continued)

Board meetings /
The Board meets nine or ten times a year and more frequently (by telephone if appropriate) when business needs require. During the year, Board meetings took place on average more than once a month. At least one Board meeting is extended in length to consider fully the ongoing development of the Company's strategic plans. Board meetings are structured to allow open discussion and all directors participate in discussing the strategy, trading and financial performance and risk management of the Company.

There is a list of matters that have been reserved to the Board for decision. These include approval of:

- Group strategy, annual budget and operating plans
- results announcements
- dividend policy
- circulars and listing particulars
- matters relating to share capital
- major capital projects, investments and commitments.

All directors are fully briefed on important developments in the various business activities which the Group undertakes and regularly receive information concerning the Group's operations, finances, key risks and its employees, enabling them to fulfil their duties and obligations as directors.

The Board is supplied in advance of each meeting with an agenda and supporting documentation. At each Board meeting there are a number of standard agenda report items on the monthly performance of the business, key developments and other related issues. Senior managers and external advisors are also invited to attend meetings where relevant input is needed. The Board receives briefings from the chairmen of the Audit and Remuneration Committees following meetings of those Committees.

The attendance of directors at meetings of the Board and at Board Committees of which they were members during the year is set out below:

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	**15**	**5**	**6**	**1**
John Napier	15	–	6	1
Jerry Buhlmann	15	–	–	1
Harold Mitchell	13	–	–	–
Robert Philpott	14	–	–	–
Nick Priday	15	–	–	–
John Brady	15	–	6	1
Simon Laffin	15	5	–	1
Martin Read	15	4	–	1
Charles Strauss	15	5	–	1
Lorraine Trainer	15	–	6	1

In addition to the above, and in each case at the invitation of the relevant Committee chairman, Jerry Buhlmann attended four meetings of the Remuneration Committee and two meetings of the Audit Committee, Nick Priday attended all meetings of the Audit Committee and two meetings of the Remuneration Committee and John Napier attended one meeting of the Audit Committee.

From time to time the non-executive directors, including the Chairman, meet without the executive directors present to consider matters relating to the running of the Board and the Company and the effectiveness of the Board itself and of the executive management.

Induction and training /
Directors undertake an induction programme when they join the Board and receive a range of information about the Group. The induction programme also includes, where appropriate, meetings with other members of the Board and briefings and presentations regarding the Group's operations from senior executives. The Chairman reviews any training and development needs with each director as and when necessary, to enable ongoing training needs to be met.

Director liability /
The Company has in place an appropriate level of directors and officers insurance cover in respect of legal action against the directors. In addition, the Company has given an indemnity to its directors in respect of third party claims, as described in the Directors' report on page 46.

All directors have access to the advice and services of the company secretary and, if required, external professional advice at the Company's expense. If a director has particular concerns, he or she may specifically request that they be recorded in the Board minutes.

Board committees /
Terms of reference for all Board committees are regularly reviewed and are available on the Company's website at **www.aegisplc.com** and from the company secretary on request.

Audit Committee /
Simon Laffin is Chairman of the Audit Committee. He is a chartered management accountant and the Board is satisfied that he has appropriate recent and relevant financial experience to lead the Committee in its duties and deliberations. The other two members of the Committee are Charles Strauss and Martin Read.

Biographical details of the members of the Audit Committee, all of whom are independent non-executive directors, are set out on page 45.

Letter from the Chairman of the Audit Committee /

Dear Shareholder /
During the year we held five meetings, inviting along others as we thought necessary, including the Group Chairman, CEO and Chief Financial Officer, the external auditors, the company secretary, the Group Financial Controller and (following her appointment) the Director of Risk and Audit. We also met privately with the internal and external auditors on a number of occasions.

The Audit Committee reviews the internal control framework for the Group, which involves working with the external auditor, internal auditors and the Company's risk committees. The Committee also reviews both internal and external reporting.

External Auditors /
The Committee is responsible for making recommendations to the Board in relation to the selection of the external auditors, for approving their terms of engagement and the scope of and materiality levels for the audit, and for monitoring both their independence and their use for non-audit services. Details of the various amounts paid to the external auditors are given in Note 5 to the financial statements.

We recommended to the Board that a tender process be held in May 2011 for the external audit, as it had been seven years since this was last undertaken. The Committee felt strongly that given our international diversity and complexity in over 80 countries, it wanted a single firm to undertake the global audit. This would be both more timely and more efficient and would ensure common standards across our many reporting entities.

As a result, a shortlist of four global audit firms, including both the incumbent Deloitte LLP and one non-Big Four firm, was drawn up. Both oral and written presentations were made to a panel comprising the CFO, the Group Financial Controller and the Audit Committee chairman, and then to a meeting of the Committee attended by the CEO and all members of the panel. Costs and quality submissions were rigorously examined. At the end of the process the Committee unanimously recommended to the Board the appointment of Ernst & Young LLP.

The Committee's recommendation was subsequently accepted by the Board and announced on 28 June 2011.

Given that Ernst & Young LLP was appointed as auditor during the year, the appointment of a new audit partner satisfies the rotation requirements of the ICAEW policy.

We did consider the balance between fees for audit and non-audit work for the Group in the year, and concluded that the nature and extent of the non-audit fees paid to Deloitte LLP up to 16 June 2011 and to Ernst & Young LLP since then, did not present a threat to the external auditors' independence. This will continue to be monitored as the Committee is well aware of the importance of auditor independence. We also reviewed our policy on auditors providing services beyond strict audit work, confirming that all such additional work costing over £25,000 would need specific individual approval by the CFO, with work costing over £100,000 needing approval by the chairman of the Audit Committee.

Internal Audit /
The Committee regards the Internal Audit team as a critical part of our system of internal controls. We oversaw the appointment of a new Director of Risk and Audit, Linda Chan, in July 2011. She has had extensive experience in internal audit with Tui Travel, the Automobile Association and Centrica, as well as Deloitte LLP, where she specialised in risk and internal audit services. Linda reports jointly to the Audit Committee and the Group Chief Financial Officer, and has direct contact with me at any time she wishes.

We oversaw a comprehensive review of the purpose and objectives of the internal audit function in the second half of the year. This took account of the Committee's desire to improve further our controls, balancing risk versus enterprise, and giving coverage across the whole of our international network. The result was a number of enhancements:

- An increase in the team from 3 to 11 people, with a dedicated IT audit team and, for the first time, 4 team members based in our regional offices
- Improved common methodology and working practices for all units
- Additional focus on core financial controls, the balance sheet and key operating risks inherent to our business, such as sales and collections and contracts management
- A formal tender process to appoint a new co-sourcing partner to provide supplementary resources, specialist skills and local indigenous presence.

Since it is not practical, or desirable, for controls to be imposed solely by the centre, great store is put by business units taking responsibility for their own controls. The annual compliance self certification process was therefore reviewed and updated. We insist that the chief executive officer and chief financial officer of each entity, at regional, global and Group levels, completes an annual certificate to confirm that:

- The Group's policies and procedures were adhered to
- The accounts as submitted were accurate and complete and prepared in accordance with Group accounting policies
- There were no actual or potential breaches of laws or regulations
- There were no known frauds
- There were no related party transactions other than those properly disclosed
- There were no conflicted directorships
- All relevant information was disclosed to the auditors.

As they are not controlled by the Group, joint ventures and associates companies have their own policies and procedures, and the Group therefore places reliance on the systems of internal controls operating within our partners' businesses.

CORPORATE GOVERNANCE
(continued)

Other actions taken to strengthen financial controls were:

- The new Group-wide financial reporting and consolidation system was rolled out across the Group, significantly improving the reporting and consolidation process
- A programme of testing financial controls was undertaken across the Group. Resulting recommendations are presented to business units and then regularly followed up by internal audit
- An independent report was commissioned on a bad debt in Spain. This loss was announced at the time it came to light in February 2011. Both the recommendations and the broader implications of this report were carefully reviewed by the Audit Committee and the recommendations have now been fully implemented
- The 'whistle-blowing' procedures, known as "Speak-up", have been re-communicated and emphasised.

Risk Committees /
Following the sale of Synovate, the Group has two risk committees – for Aegis Media, chaired by the Group CEO, and for Head Office, chaired by the Group Chief Financial Officer. Both committees report to the Audit Committee. They discuss key risks faced by the Group, assess the probability and quantify the effect of those risks and review and approve risk management mitigation plans. A third risk committee was chaired by the Synovate CEO prior to the sale of Synovate.

During 2011, Aegis revised the Group risk management framework to increase focus on the major risks that the Group faces. The evaluation methodology has also been modified to place more emphasis on measuring the effect on both our reputation and financial results (see the Principal Risks & Uncertainties section on pages 30 to 33).

The Audit Committee has been stressing the importance of the evaluation of risks being considered by all managers and so becoming part of how everyone works. The responsibility to manage risk sits with all employees, not just the Risk Committees.

Reporting /
The Audit Committee has been encouraging the development of internal performance reviews, and considerable progress has been achieved by the finance team.

We review the external financial statements with input from both management and external auditors. We ensure that reporting complies with accounting standards and rules. During the year, the Committee focused particularly on:

- Significant judgemental areas, such as accruals, goodwill and taxation provisions, taking full input from the external auditors
- Agreeing segmental reporting
- Forward cash and debt capacity that confirmed our going concern status
- Any changes in accounting policies and practices. There were in fact no significant changes
- Ensuring the integrity of the Company's financial statements by challenge and external review
- Compliance with accounting standards and the Corporate Governance Code
- Compliance with UK Listing Authority regulations and stock exchange and legal requirements.

Our own performance /
The Committee reviewed its own terms of reference. It also discussed its own performance, inviting the views of management and internal and external auditors. Whilst we felt that considerable progress has been made, the Committee recognised that there was more to do in the current year.

Review of internal control effectiveness /
The Board, advised by the Audit Committee, reviewed the effectiveness of the whole system of risk management and internal controls. The Board concluded that the processes in place are appropriate, improved during 2011 and are still improving. The Board considers that this fully satisfies the requirements of the revised Turnbull Guidance on Internal Controls.

Simon Laffin
Chairman of the Audit Committee

14 March 2012

Remuneration Committee /
The Remuneration Committee is chaired by Lorraine Trainer. The other two members of the Committee are John Brady and John Napier. Both Lorraine Trainer and John Brady are independent non-executive directors and John Napier was considered to be independent on his appointment as Chairman in July 2008. The Corporate Governance Code suggests a remuneration committee should comprise at least three independent non-executive directors in addition to the chairman of the Board, however the Board continues to consider the current composition of the Committee to be effective, efficient and appropriate to the Company's needs.

Members of the Committee have no conflict of interest arising from cross directorships. Members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions.

Meetings of the Committee were generally attended, in whole or in part, by the Chief Executive Officer, the Group human resources director and the company secretary. Two meetings of the Committee were also attended, in part, at the invitation of the chairman, by the Chief Financial Officer. Apart from members of the Committee, no-one attending its meetings is present as of right and no-one (including members of the Committee) attends when their own remuneration is discussed.

The Committee usually meets five times a year and more frequently if required. It met 6 times in 2011. Its main responsibilities are:

- determining and recommending the policy and framework for the remuneration of the Chairman, Chief Executive Officer and executive directors
- within policy terms and in consultation with the Chairman, Chief Executive Officer and external advisers as appropriate, determining the total remuneration packages of the Chairman, Chief Executive Officer and other executive directors
- considering proposals in relation to other senior executive management
- overseeing the design of the Group's share based long term incentive schemes, including approving the value of awards and overseeing the operation of performance conditions.

During the year the principal business of Committee meetings included the following:

- determining the remuneration payable to certain senior employees on their appointment to the Group
- adopting the rules for the bonus–related share scheme linked to the revised bonus scheme introduced for Aegis Media in 2010 and reported last year
- conducting the annual review of base salaries for executive directors and the Chief Executive Officer's recommendation for his executive team based on review of actual performance
- the consideration and approval of bonus payments for 2010
- ongoing review and monitoring of performance conditions for vesting awards under the Group's performance share plans and long term incentive plans and agreeing adjustments as reported last year
- adjusting the shareholding guidelines associated with the 2003 ESOS and performance share plan as reported last year
- approving new awards under the Group's performance share plans
- reviewing the Group's executive incentive and reward arrangements and adjusting the trigger measure for Aegis Media and Aegis Group plc executive staff bonuses from operating profit to, respectively, profit before management charge and shareholder profit
- drafting of the Remuneration report
- reviewing the design of the Group's share schemes
- approving the termination arrangements for Robert Philpott, CEO of Synovate, and other senior managers following conclusion of the sale of Synovate
- considering the impact of the Synovate disposal on the outstanding awards and options held by Synovate employees
- following the sale of Synovate and the Group's withdrawal from market research activities, considering the continued appropriateness of the TSR peer group and the calculation of eps under the long term incentive schemes and agreeing adjustments.

Nomination Committee /

The Nomination Committee comprises all of the non-executive directors together with the Chief Executive Officer and is chaired by the Chairman of the Board. The Committee meets as and when required but at least once a year.

The Committee is responsible for:

- reviewing the Board structure, size and composition
- identifying and nominating to the Board candidates for appointment or re-appointment as directors
- reviewing the renewal or otherwise of terms of appointment for non executive directors, with any individual in question not taking part in the discussion.

During the year the Committee's principal business included considering and recommending to the Board the renewal of the appointment of John Napier and the retirement by rotation and re-election of Harold Mitchell, Robert Philpott and Lorraine Trainer at the 2011 Annual General Meeting.

Employee concerns /

As mentioned above, the Group has arrangements in place that allow employees, in confidence, to raise concerns about possible wrongdoing in matters of financial reporting or other matters, without fear of reprisal, provided that such concerns are raised in good faith. The Audit Committee reviews these arrangements to ensure that there is proportionate and independent investigation of any reported concerns and that appropriate follow up action is taken.

Relations with shareholders /

The Board encourages an active policy of regular, constructive dialogue with its shareholders, which is led by the Chairman, Chief Executive Officer and Chief Financial Officer.

Executive directors meet regularly with major shareholders. The Board encourages investor contact, including holding one-to-one meetings and group events with existing shareholders and non-holders alike. During the year executive directors held investor meetings in North America and the UK. Non-executive directors are also available to meet with institutional shareholders on request.

JP Morgan Cazenove, the Group's joint financial advisers, provide the Board with written reports (covering changes in valuation and ownership, market and sector issues) on a monthly basis, and along with Numis Securities are available for shareholder relations advice.

The Annual General Meeting is an opportunity for shareholders to address questions to the Chairman and the respective chairmen of the Board committees or other members of the Board directly.

Published information, including press releases, presentations and webcasts of our results meetings, is available on our corporate website, **www.aegisplc.com**.

Further information about the Group can be obtained by contacting 0207 070 7700 or communications@aegisplc.com.

Andrew Moberly
Company Secretary

14 March 2012

REMUNERATION REPORT

The following report by the Remuneration Committee has been approved by the Board for submission to the shareholders at the 2012 Annual General Meeting. Ernst & Young has audited the following items stipulated in law for their review:

- The table of directors' remuneration and associated footnotes on page 59
- The tables of directors' share options and share awards on pages 60 to 63 and associated footnotes.

Members of the Committee during the year are set out on page 54. The Committee's Terms of Reference are available from the Group's website at **www.aegisplc.com**.

During the year, the Committee obtained ad-hoc advice on executive remuneration matters from independent remuneration consultants, Deloitte LLP. These services comprised the provision of market data benchmarks in relation to specific executive roles, updates on current market practice and trends and review of this report. In 2011 the Company's auditors were changed from Deloitte to Ernst & Young and as a result the potential conflict between remuneration and audit services in previous years has been removed. The Committee also received advice where appropriate from the director of group human resources and the company secretary. No individual is involved in decisions relating to their own remuneration.

Remuneration policy /

The Group aims to balance the need to attract, motivate and retain high calibre talent with the need to be cost effective, reward exceptional performance and create shareholder value. The Committee reviews remuneration strategies and policies to balance these factors whilst also taking into account general macro-economic conditions impacting the Group, changes in business strategy, investor expectations and the wider compensation context of employees across the Group.

In 2010 the design of the annual cash bonus scheme was significantly changed to incorporate more demanding annual and year-on-year performance measures; enhanced controls to ensure equitable incremental profit share between management and shareholders; greater transparency to incentivise performance; and linkage of the share schemes to the annual bonus arrangements for senior managers. The priority in 2011 was to consolidate the implementation of these schemes and enhance delivery of a high performance culture.

The Committee reviews base salaries in the context of total remuneration and determines remuneration levels to be aligned with relevant market practice plus the experience, performance and retention value of the individual. It also assesses the ratio of fixed and performance-based remuneration with a view to strengthening the link between remuneration and performance, the mix of short and long term reward and the level of challenge of financial targets so that the higher levels of reward are focused on the high performing individuals.

Elements of remuneration /

Details on remuneration for each of the Executive Directors are included on page 59, with some commentary on the three principal remuneration elements described below.

Harold Mitchell's remuneration arrangement is specific to his circumstances. It is confined to base salary only on a 2 year fixed contract ending on 17 November 2012. As agreed in his contract he does not participate in the Group's short or long-term incentive schemes.

Base salary and benefits /

Base salary and benefits are reviewed annually with reference to relevant market trends, the Company's financial performance and the individual's skill, experience and performance in order to provide a market competitive reward.

In 2011 the annual review cycle for all employee salaries and benefits was changed from January to July. This will be maintained in 2012. It is intended that salary changes for Executive Directors and senior managers will continue to be determined with respect to the general salary considerations of the whole Group and be informed by market changes.

The Executive Directors' salaries remained unchanged in 2011, with the exception of Nick Priday whose salary was increased as part of a staged progression to an externally benchmarked competitive level. The Group's senior leaders received an average increase of 3.5% (excluding significant changes in responsibility), compared to a 3% increase (excluding significant changes in responsibility) for employees.

A summary of the benefits payable to executive directors in 2011 is given on page 59. These mainly comprise company car benefits or related allowances, pension arrangements and medical insurance benefits, to which directors are entitled pursuant to the terms of their service agreements with the Company.

Short term annual cash bonus incentives /

Executive directors are provided with an annual cash bonus opportunity to incentivise and reward performance against financial growth targets. The bonus scheme continues to have a maximum opportunity of 100% of annual salary and will remain the same for 2012.

The design of the scheme was maintained in 2011 to ensure continuing alignment of management and shareholders' interests. Key performance targets were determined on an individual basis to relate to absolute increases in operating profit growth and improvements in operating margins. The Group continues to undergo substantial strategic changes including acquisitions, above market rates of organic growth, major client wins and a focus on media activities with the sale of the Synovate research business. In this situation the Remuneration Committee considers that flexibility to tailor short-term bonus constructs is necessary to help maintain performance and improve shareholder alignment.

Long-term share-based incentives /

The Committee keeps the Group's long term incentive plan under regular review to ensure it remains appropriate in fulfilling its objectives and that the performance conditions continue to represent the best way to drive the creation of shareholder value.

In 2011 the Group continued to use the 2003 Performance Share Plan (PSP). The PSP is designed to comply with the requirements of institutional guidelines and corporate governance best practice, as well as to reflect the Committee's remuneration policy. In any financial year, an executive is eligible to receive a conditional award of shares with a face value of no more than two times basic salary in normal circumstances. The Remuneration Committee has the discretion to approve an award of three times salary in special circumstances.

The performance conditions that apply to the 2011 PSP awards continue to be determined in equal parts by reference to the Company's Total Shareholder Return ("TSR") performance relative to a group of similar businesses and by reference to the Company's underlying EPS growth.

The TSR targets remained the same in 2011, as follows:

TSR performance relative to peer group	Proportion of award vesting
Median or below	Nil
1st or 2nd	50%
For intermediate performance	Nil to 50% (pro rata on a straight-line basis)

The companies included in the peer group for calculation of TSR performance remained the same in 2011, as follows:

CBS Corporation	The News Corporation Limited
Dentsu Inc.	Omnicom Group Inc.
GfK	WPP Group plc
Havas S.A.	Pearson plc
The Interpublic Group of Companies Inc.	Publicis Groupe S.A.
Ipsos S.A.	Reed Elsevier plc

The EPS performance condition was amended in 2011, as reported last year, and is as follows:–

Average annual EPS growth	Proportion of award vesting
3% or less	Nil
3% to 15%	Nil to 50% (pro rata on a straight-line basis)
15%	50%

The EPS growth measurement method continues on a reported Total Group basis for performance years 2009 and 2010, and has been amended to a Retained Group basis for 2011 in view of the sale of Synovate in October 2011.

The annual review for the 2012 long term incentive plan has continued the 50% EPS and 50% TSR split of the performance condition. However it was concluded that the TSR peer group should be revised to take account of the Group's withdrawal from market research activities and its specific focus on media.

The TSR peer group for awards granted in 2012 will concentrate on the key competitor global integrated agencies of:

Dentsu Inc.	Omnicom Group Inc.
Havas S.A.	Publicis Groupe S.A.
The Interpublic Group of Companies Inc.	WPP Group plc

As this is a relatively small peer group, the TSR vesting schedule has been amended from a position-based ranked approach to a pro-rata vesting on a straight line basis, in order to prevent small changes in relative performance having a disproportionate effect on vesting levels. The TSR vesting schedule for 2012 will be as follows:

TSR performance relative to peer group	Proportion of award vesting
Median or below	Nil
Equal to or above the upper decile TSR performance	50%
For intermediate performance	Nil to 50% (pro-rata on a straight line basis)

The PSP performance conditions are tested on the third anniversary of grant of the award. There is no provision for retesting. To the extent that the performance conditions are not satisfied, the awards lapse.

The Committee believes that using both EPS growth and TSR for awards under the PSP provides a balanced incentive between assessing the Group's relative returns to shareholders and its underlying financial performance. The blend also provides a balanced long-term incentive for the Group's executives.

No awards will be made under previously closed schemes, although awards granted in the past will continue to be exercisable in accordance with the rules of each respective scheme. The closed schemes are the 1995 Executive Share Option Scheme and the 2003 Executive Share Option Scheme. Details of these schemes are given on page 60. Details of all share incentive awards outstanding for each executive director serving during 2011 are set out on pages 60 to 62.

Pensions /

The Group aims to provide pension benefits in line with market practice and which allows executives to plan effectively for their retirement.

Both Jerry Buhlmann and Nick Priday are members of a UK HMRC approved group personal pension plan scheme. Pensionable salary is limited to base salary excluding all bonuses and other benefits. Annual employer pension contributions or salary equivalent payments are shown in the audited Directors' Remuneration table on page 59.

In 2011, in response to changes to the UK Pension Tax Relief, it was agreed that any existing annual pension benefit exceeding £50,000 per annum would be made as a separate cash payment.

REMUNERATION REPORT
(continued)

Service contracts /

Details of the service contracts of those who served as executive directors during the year are set out below. Apart from Harold Mitchell, whose appointment is for a 2 year term expiring on 17 November 2012, executive directors have rolling service contracts which expire at normal retirement age unless terminated beforehand in accordance with the terms of the individual contract and contain non-compete obligations.

Name	Contract date	Notice period from Company	Notice period from director
Jerry Buhlmann	20.04.10	12 months	6 months
Nick Priday	01.09.09	12 months	6 months
Robert Philpott (retired 31.12.11)	20.06.02	12 months	12 months
Harold Mitchell	15.03.11	6 months	6 months

Unless there are exceptional circumstances, it is the Company's policy that notice periods to be given by the Company will not exceed 12 months. In addition, although they may contain provisions entitling the Company to make payments in lieu of notice, contracts will not include liquidated damages clauses and any termination benefits will be calculated on normal English legal contractual principles taking into account a director's duty to mitigate his loss.

Non-executive directors /

Non-executive directors are appointed under letters of engagement for an initial term of three years with a one month notice period. Renewal of appointments for a further term of three years is not automatic. The fees of the non-executive directors are approved at a board meeting at which the non-executive directors do not vote. Fees are based on time commitment and responsibility. Kepler Associates provided external market data when fee levels were last increased in 2008. The current fee structure, which applied throughout the year, is shown below.

Base fee	£45,000
Plus:	
Chairman of Audit Committee	£10,000
Chairman of Remuneration Committee	£10,000
Senior Independent Director	£10,000

John Napier's annual fee as Chairman is £300,000. Neither he nor any of the other non-executive directors participates in an incentive scheme or receives a bonus or pension contribution. Apart from John Napier, whose benefits are shown below, non-executive directors do not receive benefits from the Company. Dates of appointment and unexpired terms are shown below:

Non-executive Director	Date of first appointment to the Board	Contract date	Date(s) of re-appointment	Unexpired term as at 14 March 2012
John Napier	30.06.08	07.04.11	15.03.11	2 years 3 months
John Brady	01.08.09	10.07.09		4 months
Simon Laffin	01.08.09	10.07.09		4 months
Martin Read	01.08.09	10.07.09		4 months
Charles Strauss	05.09.03	06.04.11	05.09.06 and 05.09.09	6 months
Lorraine Trainer	02.08.05	23.08.11	02.08.08 and 02.08.11	1 year 2 months

Audited directors' remuneration /

	Salary and Fees £'000[(a)]	Benefits £'000[(b)]	Annual Cash Bonus £'000[(c)]	**Total 2011 £'000**	Total 2010 £'000	**Pensions 2011 £'000[(d)]**	Pensions 2010 £'000	Termination payments £'000[(e)]
John Brady	45	–	–	**45**	45	**–**	–	–
Jerry Buhlmann	750	52	600	**1,402**	1,052	**195**	172	–
Simon Laffin	55	–	–	**55**	55	**–**	–	–
Harold Mitchell (appointed 15.12.10)	53	–	–	**53**	–	**–**	–	–
John Napier	300	17	–	**317**	516	**–**	–	–
Robert Philpott (appointed 18.03.10, retired 31.12.11)	359	16	359	**734**	594	**108**	112	1,184
Nick Priday	338	23	300	**661**	454	**84**	71	–
Martin Read	45	–	–	**45**	45	**–**	–	–
Charles Strauss	55	–	–	**55**	55	**–**	–	–
Lorraine Trainer	55	–	–	**55**	55	**–**	–	–
TOTALS	2,055	108	1,259	**3,422**	2,871	**387**	355	1,184

The figures above relate to remuneration earned by directors during the year or, if shorter, their term of office during the year.

Notes:
(a) The fee payable in respect of Simon Laffin's services is paid to Simon Laffin Business Services Limited.
(b) Executive directors' benefits relate generally to the provision of a car, car cash allowance, fuel, life assurance and various disability and health insurances. John Napier's benefits comprise an accommodation allowance of £33,000 pa (gross) and private health insurance.
(c) The main terms of the bonus schemes are summarised on page 56.
(d) As a result of recent changes in UK tax relief on pension contributions, the Company remitted part of the sum payable in respect of pensions for each of Jerry Buhlmann and Nick Priday as a separate pension allowance, which was paid to them in cash.
(e) Total payments made (or agreed to be paid) in the year to Robert Philpott in connection with the termination of his employment following the sale of Synovate in October 2011 are as follows:
- £547,000, comprising 12 months' salary and benefits in lieu of notice, including pension contribution and car allowance, in accordance with his contractual entitlement
- An agreed compensatory payment of £627,000 in recognition of the value created for shareholders by Robert Philpott during his time as CEO of Synovate. Aegis completed the sale of Synovate for an enterprise value of £525m and subsequently returned some £200m to shareholders through a special dividend.

In addition, 12 months' healthcare cover will be provided at a cost of £10,000.

It is the Board's policy that executive directors with external non-executive positions are allowed to retain any fees from such positions. In general, before an executive director may accept an external non-executive position, permission must be sought from the Chairman, who will take into consideration the amount of time involvement required by the role. Harold Mitchell holds non-executive directorships at Crown Limited and ThoroughVision in Australia, (for which he receives fees of approximately £71,000 and £39,000 pa respectively), and in various community organisations referred to in his biography on page 44, (all of which are unpaid). None of the other executive directors holds any external non-executive appointments.

Except as disclosed in Note 33 to the financial statements on page 117, none of the directors was materially or beneficially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of the financial year ended 31 December 2011.

REMUNERATION REPORT
(continued)

Directors' share interests /
The interests of the directors, including the interests of "connected persons" of the directors (as defined in the Disclosure and Transparency Rules), in the ordinary shares of the Company were as follows:

	14 March 2012*	31 December 2011*	1 January 2011
John Brady	27,272	27,272	30,000
Jerry Buhlmann	331,235	331,235	265,890
Simon Laffin	9,090	9,090	10,000
Harold Mitchell	43,751,127	43,751,127	48,125,266
John Napier	90,909	90,909	100,000
Robert Philpott (retired 31.12.11)	–	1,160,885	186,572
Nick Priday	19,503	19,503	2,046
Martin Read	13,636	13,636	15,000
Charles Strauss	36,363	36,363	40,000
Lorraine Trainer	30,181	30,181	33,200

* The figures shown reflect the impact of the 10 for 11 share consolidation effected on 24 October 2011 as well as movements in shareholdings since 1 January 2011.

As at 13 March 2012 Jerry Buhlmann and Nick Priday were also deemed to have an interest in the 23,333,438 ordinary shares held by the Trustee of the Aegis Group Employee Share Trust, as potential beneficiaries under that Trust.

Dilution /
Investor guidelines recommend that the number of newly-issued shares used to satisfy awards under all share plans over any ten year period should be limited to 10% of a company's issued share capital. If all options granted had become exercisable on 31 December 2011 and new issue shares had been used to satisfy all exercises, the dilution would have been 2.62% of issued share capital.

Audited directors' share option interests /
Ordinary shares for which directors have, or had during the year, beneficial options to subscribe are as follows (all such options were granted for nil consideration). The 10 for 11 share consolidation effected on 24 October 2011 did not result in any change in the number of shares under option, however the shares under option changed on that date from ordinary shares of 5p to ordinary shares of 5.5p.

Director	Options held at 01.01.11	Granted during 2011	Lapsed during 2011	Exercised during 2011	Options held at 31.12.11	Exercise price	Date from which exercisable	Expiry Date
Jerry Buhlmann	43,995	–	–	–	43,995	94.00p	18.06.05	17.06.12
	96,033	–	–	96,033	–	119.75p	23.03.04	22.03.11
	300,000*	–	–	–	300,000	101.75p	31.03.08	30.03.15
	293,154*	–	–	–	293,154	134.00p	20.03.09	19.03.16
	271,646*	–	–	–	271,646	147.50p	23.03.10	22.03.17
Robert Philpott	266,000	–	–	–	266,000	101.75p	31.03.08	30.03.15
	215,000	–	–	–	215,000	134.00p	20.03.09	19.03.16
	195,585	–	–	–	195,585	147.50p	23.03.10	22.03.17
Total	**1,681,413**	**–**	**–**	**96,033**	**1,585,380**			

All options granted to Robert Philpott and those options granted to Jerry Buhlmann and marked with an asterisk were granted under the 2003 Executive Share Option Scheme and had the following performance conditions attached:–

Average annual EPS growth in excess of RPI	Proportion of option grants exercisable
3%	Up to 0.5x salary
3% to 5%	0.5 to 1x salary (pro rata on a straight-line basis)
5% to 10%	1 to 2x salary (pro rata on a straight-line basis)
10% to 15%	2 to 3x salary (pro rata on a straight-line basis)

The other options granted to Jerry Buhlmann were granted under the closed 1995 Executive Share Option Scheme (whose performance condition required that EPS growth over the performance period exceeded RPI plus 5% per annum and that the Company's TSR performance be greater than that of the FTSE 100 company ranked 33rd over the performance period). It was possible to re-test the conditions annually over the life of the option if they were not achieved after three years, in each case measuring from the same base point.

On 18 March 2011 Jerry Buhlmann exercised 96,033 options granted to him under the 1995 Executive Share Option Scheme. Details are given in the following table.

Name	Number exercised	Date of grant	Option price	Market price at date of exercise	Gross gain
Jerry Buhlmann	96,033	23.03.01	119.75p	137.75p	£17,285.94

Other than as noted above, no options have been granted, expired or lapsed during the year in respect of the directors.

The middle market price of the ordinary 5.5p shares of the Company as derived from the Stock Exchange Daily Official List on 31 December 2011 was 144.40p and (adjusting for the 10 for 11 share consolidation undertaken on 24 October 2011) the range during the year was 116.17p to 159.08p. The share price on 13 March 2012, the latest practicable date prior to signing of the Annual Report and Accounts, was 180.5p.

Audited awards under the 2003 Performance Share Plan /

The table below details awards to executive directors under the 2003 Performance Share Plan:

Name	Maximum potential award of shares at 01.01.11	Awards granted during year	Awards lapsed during year	Awards vested during year	Maximum potential award of shares at 31.12.11	Performance period
Jerry Buhlmann	567,935	–	423,112	144,823	–	01.01.08 to 31.12.10
	96,920	–	72,206	24,714	–	01.01.08 to 31.12.10
	925,657	–	–	–	925,657	01.01.09 to 31.12.11
	1,918,159	–	–	–	1,918,159	01.01.10 to 31.12.12
		800,712	–	–	800,712	01.01.11 to 31.12.13
Robert Philpott	417,027	–	310,685	106,342	–	01.01.08 to 31.12.10
	618,362	–	309,181	309,181	–	01.01.09 to 31.12.11
	808,751	–	404,376	404,375	–	01.01.10 to 31.12.12
		470,435	235,218	235,217	–	01.01.11 to 31.12.13
Nick Priday	511,509	–	–	–	511,509	01.01.10 to 31.12.12
		320,285	–	–	320,285	01.01.11 to 31.12.13

The 10 for 11 share consolidation effected on 24 October 2011 did not result in any change to the number of shares comprised in any of the unvested awards shown above, however the shares comprised within the unvested awards changed on that date from ordinary shares of 5p to ordinary shares of 5.5p.

The unadjusted market price of Aegis Group plc shares at the date of the 2009, 2010 and 2011 awards was 87.50p, 117.30p and 140.50p respectively. The market price of Aegis Group plc shares at the date of the June 2008 and August 2008 awards was 123.50p and 112.00p respectively.

The number of shares shown in the columns entitled "maximum potential award of shares" represents the maximum number of shares capable of vesting at the end of the performance period, if the performance conditions are satisfied to the fullest extent.

The performance conditions for all outstanding Performance Share Plan awards are set out in the policy section of this report on page 57.

As anticipated in the circular issued to shareholders on 29 July 2011, a total of 948,773 shares awarded to Robert Philpott under the Performance Share Plan in 2009, 2010 and 2011 vested during the year following the sale of Synovate to Ipsos SA, in accordance with the rules of the Performance Share Plan. The Remuneration Committee exercised its discretion in relation to the performance conditions attaching to those awards and agreed that the awards should vest at 50% of their maximum amount.

REMUNERATION REPORT
(continued)

Details of the Performance Share Plan awards vesting in 2011 are as follows:

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Jerry Buhlmann	144,823	03.06.08	128.80p	£186,532.02
	24,714	01.09.08	126.40p	£31,238.49
Robert Philpott	106,342	03.06.08	127.90p	£136,011.42
	309,181	21.04.09	132.25p	£408,891.87
	404,375	28.05.10	132.1499p	£534,381.16
	235,217	08.04.11	132.2299p	£311,027.20

Audited awards under the 2005 Performance Restricted Stock Plan /
Robert Philpott held, and Nick Priday holds, awards under the 2005 Performance Restricted Stock Plan, granted before their appointment as directors. Details of awards granted under the 2005 Performance Restricted Stock Plan are shown in the table below:

Name	Maximum potential award of shares at 01.01.11	Awards granted during year	Awards lapsed during year	Awards vested during year	Maximum potential award of shares at 31.12.11	Performance period
Robert Philpott	500,000	–	–	500,000	–	01.01.09 to 31.12.11
Nick Priday	40,160	–	–	40,160	–	01.01.08 to 31.12.10
	85,714	–	–	–	85,714	01.01.09 to 31.12.11
	250,000	–	–	–	250,000	01.01.09 to 31.12.11

The 10 for 11 share consolidation effected on 24 October 2011 did not result in any change to the number of shares comprised in any of the unvested awards shown above, however the shares comprised within the unvested awards changed on that date from ordinary shares of 5p to ordinary shares of 5.5p.

As anticipated in the circular issued to shareholders on 29 July 2011, 500,000 shares awarded to Robert Philpott under the Performance Restricted Stock Plan in 2009 vested during the year following the sale of Synovate to Ipsos SA, in accordance with the rules of the Performance Restricted Stock Plan.

Details of the Performance Restricted Stock Plan awards vesting in 2011 are as follows:

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Robert Philpott	500,000	01.09.09	132.10p	£660,500.00
Nick Priday	40,160	23.05.08	126.60p	£50,842.56

The market price of Aegis shares at the date of the 2008 awards was 124.50p and for the 2009 awards was respectively 87.50p (April 2009) and 102.90p (August and September 2009). Awards vest in full provided the Company's average annual EPS growth over a three year performance period reaches 3% (RPI plus 3% in relation to awards granted up to 2010).

The number of shares shown in the columns entitled "maximum potential award of shares" represents the maximum number of shares which is capable of vesting at the end of the performance period if the performance conditions are satisfied.

In 2011 the Performance Restricted Stock Plan changed its name to the Incentive Share Plan and will be referred to by its new name in future reports.

Other share awards /

Part of Jerry Buhlmann's 2008 bonus was deferred in the form of a grant of an award over 33,591 ordinary 5p shares in March 2009. In common with many other deferred bonus schemes there were no performance conditions other than continued employment. All shares vested on 13 September 2011. Details are given in the following table:

Name	Number vested	Date of award	Market price at date of transfer	Gross gain
Jerry Buhlmann	33,591	25.03.09	122.70p	£41,216.15

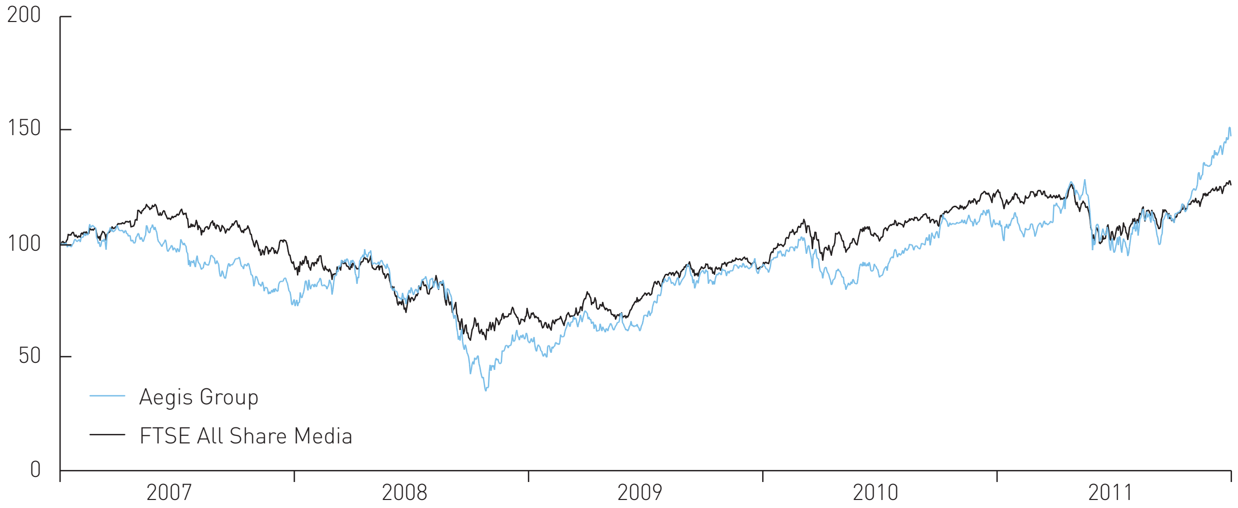
Shareholding guidelines /

The Company has share ownership guidelines which operate in tandem with the executive share incentive schemes introduced in 2003, namely the Performance Share Plan and the Executive Share Option Scheme. The guidelines, which (as explained last year) were simplified in March 2011, require executive directors and other senior executives to retain in the form of shares for at least 2 years at least 35% of any profit made (after paying the exercise price and any tax liability) on the exercise of 2003 Executive Share Option Scheme options and the vesting of any Performance Share Plan awards. No further Performance Share Plan awards will be granted to executives who fail to retain shares in accordance with these guidelines.

Performance graph /

The following graph illustrates the Company's TSR between 31 December 2006 and 31 December 2011 relative to the FTSE All Share Media Index (adjusted to reflect the 10 for 11 share consolidation effected by the Company on 24 October 2011). Aegis Group plc is a member of the FTSE All Share Media Index and the Remuneration Committee considers that a comparison of the Company's TSR relative to similar businesses is more appropriate than a comparison with a general FTSE Index.

Aegis vs FTSE All Share Media Index TSR Performance /



Source: Datastream

Lorraine Trainer
Chairman of the Remuneration Committee

14 March 2012

INDEPENDENT AUDITOR'S REPORT

To the members of Aegis Group plc

We have audited the consolidated financial statements of Aegis Group plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The maintenance and integrity of the Aegis Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Respective responsibilities of directors and auditor /

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements /

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements /

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006 /

In our opinion:
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 51 to 55 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception /

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:
- the directors' statement, set out on page 49, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter /

We have reported separately on the parent company financial statements of Aegis Group plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 £m	2010 Restated £m
Turnover from continuing operations		11,854.7	10,047.4
Revenue from continuing operations	4	1,135.0	941.0
Cost of sales		(27.4)	(24.3)
Gross profit from continuing operations		1,107.6	916.7
Operating expenses		(961.8)	(850.8)
Operating profit from continuing operations	4	145.8	65.9
Share of results of associates		2.0	3.5
Profit from continuing operations before interest and tax		147.8	69.4
Investment income	7	6.3	6.1
Finance costs	8	(47.7)	(42.0)
Net finance costs		(41.4)	(35.9)
Profit from continuing operations before tax		106.4	33.5
Tax	9	(25.3)	(13.5)
Profit for the period from continuing operations		81.1	20.0
Discontinued operations			
(Loss) / profit for the period from discontinued operations	10	(4.0)	23.0
Gain on disposal of discontinued operations after tax	10	88.2	–
Profit for the financial year		165.3	43.0
Attributable to:			
Equity holders of the parent		164.1	41.2
Non-controlling interests		1.2	1.8
		165.3	43.0
Earnings per ordinary share:			
Basic from continuing operations (pence)	12	6.5	1.6
Diluted from continuing operations (pence)	12	6.5	1.6
Basic on profit for the financial year (pence)	12	13.4	3.6
Diluted on profit for the financial year (pence)	12	13.0	3.6
Dividend per ordinary share (pence)	11	20.28	2.75
Underlying results:*			
Underlying operating profit from continuing operations	4	197.4	151.1
Underlying profit before tax from continuing operations	4	161.8	122.3
Underlying operating profit from all operations	4	200.7	192.2
Underlying profit before tax from all operations	4	164.6	162.4
Underlying earnings per ordinary share:*			
Basic from continuing operations (pence)	12	10.3	7.8
Diluted from continuing operations (pence)	12	10.1	7.8
Basic on profit for the financial year (pence)	12	10.2	10.3
Diluted on profit for the financial year (pence)	12	10.0	10.1

* The basis for calculating the Group's underlying results and underlying earnings per share is set out in note 2.

The accompanying notes form an integrated part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the financial year	**165.3**	43.0
Currency translation differences on foreign operations:		
– Group	**(112.4)**	42.1
– Non-controlling interests	**(0.3)**	0.5
Net investment hedges of foreign operations	**2.9**	3.4
Available-for-sale investments: movements taken to equity	**(0.4)**	–
Cash flow hedges: movements taken to equity	**(1.5)**	0.4
Actuarial loss recognised on defined benefit pension schemes	**–**	(0.2)
Tax on cash flow hedge movements taken to equity	**0.4**	(0.1)
Other comprehensive income recognised directly in equity	**(111.3)**	46.1
Total comprehensive income for the financial year	**54.0**	89.1
Attributable to:		
Equity holders of the parent	**53.1**	86.8
Non-controlling interests	**0.9**	2.3
	54.0	89.1

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Goodwill	13	**1,069.7**	1,331.1
Intangible assets	14	**139.4**	112.5
Property, plant and equipment	15	**52.7**	61.9
Interests in associates and joint ventures	16	**52.3**	48.5
Deferred tax assets	21	**56.3**	49.3
Available-for-sale financial assets	17	**4.8**	15.6
Derivative financial assets	20	**20.1**	8.5
Other financial assets	20	**0.7**	0.7
		1,396.0	1,628.1
Current assets			
Work in progress		**9.0**	18.5
Trade and other receivables	18	**2,372.4**	2,414.1
Derivative financial assets	20	**2.3**	3.2
Cash and short-term deposits	20, 29	**626.1**	394.4
		3,009.8	2,830.2
Total assets		**4,405.8**	4,458.3
Current liabilities			
Trade and other payables	19	**(2,948.7)**	(2,917.3)
Borrowings	20	**(136.2)**	(85.6)
Derivative financial liabilities	20	**(14.8)**	(13.4)
Provisions	22	**(4.5)**	(3.3)
Current tax liabilities		**(16.6)**	(9.0)
		(3,120.8)	(3,028.6)
Net current liabilities		**(111.0)**	(198.4)
Non-current liabilities			
Borrowings	20	**(618.3)**	(640.1)
Other non-current liabilities	20, 27	**(139.8)**	(35.6)
Derivative financial liabilities	20	**(13.3)**	(36.7)
Provisions	22	**(0.1)**	(4.7)
Deferred tax liabilities	21	**(50.8)**	(44.2)
		(822.3)	(761.3)
Total liabilities		**(3,943.1)**	(3,789.9)
Net assets		**462.7**	668.4
Equity			
Share capital	23	**64.4**	64.3
Own shares	24	**(31.2)**	(33.7)
Share premium account	25	**398.7**	395.8
Other equity reserves		**16.0**	20.4
Foreign currency translation reserve		**0.1**	109.6
Retained earnings		**27.6**	147.4
Potential acquisition of non-controlling interests		**(18.5)**	(48.9)
Equity attributable to equity holders of the parent		**457.1**	654.9
Non-controlling interests		**5.6**	13.5
Total equity		**462.7**	668.4

These financial statements were approved by the Board of Directors on 14 March 2012 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer) **Nick Priday** (Chief Financial Officer)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Cash inflows from operations	29	208.0	232.5
Income taxes paid		(42.1)	(47.6)
Net cash inflow from operating activities		165.9	184.9
Investing activities			
Interest received		6.4	6.4
Dividends received from associates		0.3	0.1
Net cash paid on purchase of subsidiaries		(47.7)	(81.8)
Net cash received on disposal of subsidiaries		507.2	(8.1)
Net cash invested in associates and joint ventures		(11.3)	(36.0)
Payments of deferred consideration on current and prior period acquisitions		(45.6)	(38.8)
Purchase of property, plant and equipment and intangible assets		(48.4)	(29.4)
Proceeds from disposal of property, plant and equipment and intangible assets		2.7	1.3
Other investing activities		(1.8)	(2.3)
Net cash inflow/(outflow) from investing activities		361.8	(188.6)
Financing activities			
Dividends paid to equity holders of the parent		(231.5)	(29.4)
Dividends paid to non-controlling shareholders		(1.2)	(2.2)
Net cash paid on purchase of additional stakes in existing subsidiaries		(5.2)	–
Interest and other financial charges paid		(36.9)	(33.0)
Proceeds from borrowings		25.7	230.2
Repayments of loans		(28.0)	(159.6)
Proceeds on issue of ordinary share capital		3.0	7.2
Purchase of own shares		(12.7)	(16.8)
Other financing activities		(3.0)	(2.2)
Net cash outflows from financing activities		(289.8)	(5.8)
Net increase/(decrease) in cash and cash equivalents	29	237.9	(9.5)
Translation differences		(12.1)	14.7
Cash and cash equivalents at beginning of financial year	29	391.4	386.2
Cash and cash equivalents at end of financial year		617.2	391.4
Represented by:			
Cash and short-term deposits		626.1	394.4
Bank overdrafts	29	(8.9)	(3.0)
Cash and cash equivalents at end of financial year		617.2	391.4

Analysis of net debt /

	1 January 2011 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	31 December 2011 £m
Cash and cash equivalents	391.4	237.9	–	(12.1)	**617.2**
Gross debt net of issue costs	(722.7)	(0.1)	(20.2)	(2.6)	**(745.6)**
Total	(331.3)	237.8	(20.2)	(14.7)	**(128.4)**

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

For the year ended 31 December 2011

	Share capital £m	Own shares £m	Share premium account £m	Other equity reserves* £m	Foreign currency translation reserve £m	Retained earnings £m	Potential acquisition of non-controlling interests £m	**Sub-total £m**	Non-controlling interest £m	**Total equity £m**
At 1 January 2010	58.1	(23.3)	245.5	0.2	64.1	134.5	(47.2)	**431.9**	12.6	**444.5**
Profit for the period	–	–	–	–	–	41.2	–	**41.2**	1.8	**43.0**
Currency translation differences on foreign operations	–	–	–	–	42.1	–	–	**42.1**	0.5	**42.6**
Net investment hedges of foreign operations	–	–	–	–	3.4	–	–	**3.4**	–	**3.4**
Cash flow hedges: movements taken to equity	–	–	–	–	–	0.4	–	**0.4**	–	**0.4**
Actuarial loss recognised on defined benefit pension schemes	–	–	–	–	–	(0.2)	–	**(0.2)**	–	**(0.2)**
Tax on cash flow hedge movements taken to equity	–	–	–	–	–	(0.1)	–	**(0.1)**	–	**(0.1)**
Total comprehensive income and expense	–	–	–	–	45.5	41.3	–	**86.8**	2.3	**89.1**
New share capital subscribed	6.2	–	150.3	–	–	–	–	**156.5**	–	**156.5**
Purchase of shares by ESOP	–	(16.8)	–	–	–	–	–	**(16.8)**	–	**(16.8)**
Shares awarded by ESOP	–	6.4	–	–	–	(6.4)	–	**–**	–	**–**
Credit for share-based incentive schemes	–	–	–	–	–	8.3	–	**8.3**	–	**8.3**
Convertible bond issue and reclass of convertible bond imputed interest	–	–	–	20.2	–	3.0	–	**23.2**	–	**23.2**
Transactions with NCI	–	–	–	–	–	(3.4)	0.5	**(2.9)**	0.3	**(2.6)**
Other movements				–	–	(0.5)	(2.2)	**(2.7)**	0.5	**(2.2)**
Dividends	–	–	–	–	–	(29.4)	–	**(29.4)**	(2.2)	**(31.6)**
At 1 January 2011	64.3	(33.7)	395.8	20.4	109.6	147.4	(48.9)	**654.9**	13.5	**668.4**
Profit for the period	–	–	–	–	–	164.1	–	**164.1**	1.2	**165.3**
Currency translation differences on foreign operations	–	–	–	–	(112.4)	–	–	**(112.4)**	(0.3)	**(112.7)**
Net investment hedges of foreign operations	–	–	–	–	2.9	–	–	**2.9**	–	**2.9**
Available-for-sale investments: movements taken to equity	–	–	–	–	–	(0.4)	–	**(0.4)**	–	**(0.4)**
Cash flow hedges: movements taken to equity	–	–	–	–	–	(1.5)	–	**(1.5)**	–	**(1.5)**
Tax on cash flow hedge movements taken to equity	–	–	–	–	–	0.4	–	**0.4**	–	**0.4**
Total comprehensive income and expense	–	–	–	–	(109.5)	162.6	–	**53.1**	0.9	**54.0**
New share capital subscribed	0.1	–	2.9	–	–	–	–	**3.0**	–	**3.0**
Purchase of shares by ESOP	–	(12.7)	–	–	–	–	–	**(12.7)**	–	**(12.7)**
Shares awarded by ESOP	–	15.2	–	–	–	(15.2)	–	**–**	–	**–**
Credit for share-based incentive schemes	–	–	–	–	–	11.0	–	**11.0**	–	**11.0**
Reclass of convertible bond imputed interest	–	–	–	(4.4)	–	4.4	–	**–**	–	**–**
Transactions with NCI	–	–	–	–	–	(51.1)	30.4	**(20.7)**	(7.6)	**(28.3)**
Dividends	–	–	–	–	–	(231.5)	–	**(231.5)**	(1.2)	**(232.7)**
At 31 December 2011	64.4	(31.2)	398.7	16.0	0.1	27.6	(18.5)	**457.1**	5.6	**462.7**

* The other equity reserves include the capital redemption reserve and the equity component of the convertible bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. General information /

Aegis Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 131. The nature of the Group's operations and its principal activities are set out in note 4 and in the Directors' Report on pages 46 to 49.

These financial statements are presented in pounds sterling (GBP) because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Basis of preparation /

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the going concern basis of accounting for the reasons set out in the Directors' report on page 49.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below in note 3.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year:

IFRS 7 (amended) Disclosures – Transfers of Financial Assets

IFRS 7 Disclosures – Offsetting of Financial Assets and Liabilities

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

Amendments to IAS 1 (revised 2011)

Amendments to IAS 12 (revised 2010)

Amendments to IAS 19 (revised 2011)

IAS 27 Separate Financial Statements (reissued 2011)

IAS 28 Investments in Associates and Joint Ventures (reissued 2011)

IAS 32 Financial Instruments: Presentation – Offsetting of Financial Assets and Liabilities

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Adoption of standards

In the current financial year, the Group has adopted the following standards and interpretations. These standards have no effect on the financial statements of the Group.

Improvements to IFRSs (May 2010)

IAS 24 (revised 2009) Related Party Transactions

Amendments to IAS 32 (Oct 2009)

Amendments to IFRIC 14 (Nov 2009)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Discontinued operations

The Group completed the disposal of Synovate, its market research business, excluding Aztec, the scan data services business, to Ipsos S.A. on 12 October 2011, following approval from the ordinary shareholders of Aegis Group plc on 16 August 2011, and receipt of mandatory anti-trust clearances. Therefore the results of Synovate (excluding Aztec) are shown as 'discontinued operations' in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

Unless otherwise stated, income statement comparatives are restated on a continuing basis (the 'Retained Group') while balance sheet comparatives are not restated, as required by IFRS 5. Throughout these financial statements, "Synovate" is the disposed market research business and excludes Aztec.

Further information is given in note 10.

2. Basis of preparation / (continued)

Underlying profit

The Group believes that underlying results (note 4) and underlying earnings per share (note 12) provide additional useful information on underlying trends to shareholders. These measures are used for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. In the opinion of the Directors, such adjusting items are material by nature or amount, and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), acquisition costs in relation to business combinations, fair value gains and losses on the revaluation of deferred consideration, revaluation of derivatives, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question.

Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense.

3. Accounting policies /

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the results, cash flows and net assets of Aegis Group plc and the entities controlled by it (its subsidiaries) after eliminating internal transactions and recognising any non-controlling interests in those entities drawn up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities. Where subsidiaries are acquired or disposed of in the year, their results and cash flows are included from the effective date of acquisition or up to the effective disposal date.

Where a consolidated company is less than 100% owned by the Group, the non-controlling interest share of the results and net assets are recognised at each reporting date. The interests of non-controlling shareholders are ordinarily measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets, but may alternatively be initially measured at fair value. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where a business combination is achieved in stages, on the date control is achieved the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, with any resulting gain or loss presented in profit or loss. Any amounts previously deferred in other comprehensive income are recognised on the same basis as if the Group had directly disposed of the equity interest.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of the reclassified investment.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in the notes to the Company's separate financial statements.

The company, Mediaagentur Dr. Pichutta GmbH & Co.KG, Wiesbaden, is included in the consolidated financial statements of Aegis Group plc; as such we apply S264b HGB of the German Commercial Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

3. Accounting policies / (continued)

Basis of consolidation (continued)

(b) Associates

Associates are entities in which the Group has a participating interest, over whose operating and financial policies it exercises significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The accounting policies used by the Group's associates are the same as those used by the Group, as are the reporting dates in the majority of cases. Where reporting dates for local accounts do not match the Group dates, the Group obtains additional reporting to ensure the figures included in the consolidated accounts are current.

The Group's associates are accounted for using the equity method of accounting. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill within the associate's carrying amount and is assessed for impairment as part of that investment. The Group's share of its associates' post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised either directly in equity or in other comprehensive income as appropriate. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(c) Joint ventures

Joint ventures are investments over which the Group exercises joint control with a third party. Such investments are equity-accounted, using the same method of equity accounting as described in associates above.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments (see below), or otherwise are accounted for as fair value changes in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

For acquisitions completed prior to 1 January 2010, the revaluation of contingent consideration does not result in an entry to profit or loss, but is adjusted against the carrying amount of associated goodwill. Such contingent consideration liabilities are discounted and an imputed interest charge is recognised in profit or loss.

Income statement movements in relation to changes to the fair value of contingent consideration are not considered to be part of the Group's underlying profit. Therefore, following the adoption of IFRS 3 (2008), fair value gains or losses on the revaluation of deferred consideration, including any imputed interest, are excluded from underlying profit, as explained in the 'Underlying profit' section in note 2.

3. Accounting policies / (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Following initial recognition, goodwill is not amortised but is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date less any subsequent accumulated impairment losses.

Goodwill is allocated to disposals on a CGU basis where entire CGU's are disposed, or otherwise on a relative value basis.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The Group's CGUs are given in note 13.

Intangible assets

Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Fair value is calculated based on the Group's valuation methodology, using discounted cash flows, charges avoided or replacement costs as appropriate.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes)
- it is probable that the asset created will generate future economic benefits
- the development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets (both internally generated and separately acquired) are amortised to residual values on a straight-line basis over the useful economic life of the asset as follows:

Software	20% to 50% per annum
Customer relationships	20% per annum
Panel costs	33% per annum
Patents and trademarks	Nil to 20% per annum
Non compete agreements	14% to 50% per annum
Intellectual property	33% per annum
Other	10% to 50% per annum

Where an asset's useful life is considered indefinite, an annual impairment test is performed (see below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

3. Accounting policies / (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged to write off the cost of these assets to their residual value over their expected useful lives, using the straight-line method, on the following basis:

Freehold buildings	1% to 5% per annum
Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (both internally generated and separately acquired) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Work in progress

Work in progress comprises directly attributable costs deferred to align with the timing of revenue recognition. Work in progress is held in the balance sheet at the lower of cost and net realisable value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where leasehold properties remain unutilised by the Group or where the Group is demonstrably committed to a period of non-utilisation, and such properties have not been sublet, provision is made in full for the outstanding rental payments together with other outgoings for the remaining period of the lease. This provision takes into account any future sublet income reasonably expected to be obtained. Future rental payments are charged against this provision in the period in which they are made.

From time to time the Group is exposed to claims which the Group vigorously defends. Provision for costs is made when the likelihood of a case proceeding is adjudged as probable. Disclosure is made of potentially material matters where, on the basis of legal advice, an adverse outcome cannot currently be judged as remote.

Turnover and revenue

Turnover represents amounts billable for media handled by the Group on behalf of clients, together with fees earned for media and research services provided, net of discounts, VAT and other sales-related taxes.

Revenue is the value of media and research fees and commission earned by the Group.

Media revenue arises in the form of fees and commissions for media services and performance related incentives. Fee and commission revenue is recognised when earned, principally when advertisements appear in the media over the period of the relevant assignments or agreements. Performance related income is recognised when it can be reliably estimated whether, and the extent to which, the performance criteria have been met.

For market research and media project businesses, revenue is recognised based on the stage of completion of each project, which is indicated by the satisfactory completion of a specific phase of a project. Provision is made for losses on a project as soon as it becomes clear that a loss will arise. Invoices raised during the course of a project are booked as deferred income on the balance sheet until such a time as the related revenue is recognised in the income statement.

3. Accounting policies / (continued)

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Share-based payment transactions

The Group applies the requirements of IFRS 2 Share-based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that remained unvested as of 1 January 2005.

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value is determined by an external valuer using a stochastic model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Retirement benefits

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the income statement is the contribution payable in the year by Group companies.

In addition, the Group has a small number of other retirement benefit schemes, principally where required by statute in certain jurisdictions. These schemes are not considered by management to represent standard defined contribution schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes.

The liability recognised in the balance sheet in respect of defined benefit obligations is the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost less the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. The defined benefit obligation is calculated using the project unit credit method with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds approximating to the terms of the related liability.

Actuarial gains and losses are recognised immediately outside the income statement and are presented in the consolidated statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are reported in Sterling, which is the functional currency of Aegis Group plc and the presentational currency for the Group's consolidated financial statements.

In group companies, the term 'foreign currencies' refers to currencies other than the entity's functional currency. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rate ruling at the balance sheet date. Exchange differences arising upon re-translation at the settlement date or balance sheet date are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the re-translation of foreign currency borrowings used to provide a hedge against foreign currency investments, including goodwill, are recognised in other comprehensive income as long as the hedge remains effective.

For consolidation purposes, the trading results and cash flows arising in operations with non-Sterling functional currencies are translated into Sterling at average exchange rates for the period. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange differences arising upon consolidation are recognised in other comprehensive income. In the event of the disposal of an operation the cumulative effect of such translation is reclassified to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

3. Accounting policies / (continued)

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax nor accounting profit.

Deferred tax is calculated for all business combinations in respect of intangible assets and properties. A deferred tax liability is recognised to the extent that the fair value of the assets for accounting purposes exceeds the value of those assets for tax purposes and will form part of the associated goodwill on acquisition.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, including interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities under current legislation and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets

The Group's financial assets principally include the following:

Cash and short-term deposits

Cash and short-term deposits include cash at bank and in hand and highly liquid deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value. In the Consolidated Cash Flow Statement, bank overdrafts are deducted from cash and short-term deposits to give cash and cash equivalents.

Trade receivables

Trade receivables are initially recorded at the invoiced value and subsequently reduced by appropriate allowances for estimated irrecoverable amounts. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at cost, including transaction costs, and at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the net profit or loss for the period. Impairment losses recognised in the income statement for equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

3. Accounting policies / (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL 'Fair Value Through Profit and Loss', are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the value of proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to the income statement as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Trade Payables
Trade payables are initially stated at fair value and subsequently at amortised cost.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

Investments in own shares, held through the Aegis Group Employee Share Trust, are shown as a deduction from shareholders' equity at cost. The costs of administration of the Trust are included in the income statement as they accrue.

Compound instruments
The Group issued £190.6m convertible bonds in April 2010. The convertible bonds are regarded as compound financial instruments. The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate that the Group could achieve for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included within equity in the Other Equity Reserves and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The non-cash element of the interest charge is reclassified within equity at each period end to exclude the impact of the accounting charge from Retained Earnings. This element of the charge is recognised within the Other Equity Reserves.

Derivative financial instruments
The Group's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where they are considered to be significant. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are held at fair value at the balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Where such changes are intended to provide a natural hedge of a particular risk, the income statement classification reflects this.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

3. Accounting policies / (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period. Note 20 includes further information on hedge accounting as applied by the Group.

Liabilities in respect of option agreements with non-controlling shareholders

The Group is party to a number of put and call options over the remaining non-controlling stakes in its subsidiaries. In accordance with IAS 39, put options are treated as derivatives over equity instruments and the amounts that are potentially to be paid for the stakes are recorded as financial liabilities at fair value on initial recognition, with a corresponding decrease in reserves. Fair value is calculated based on the discounted value of expected future payments.

Subsequent changes in the fair value of the liability are recognised as movements in the income statement. On exercise and settlement of a put option liability the cumulative amounts are removed from reserves, along with the derecognition of non-controlling interests.

Accounting estimates and uncertainties

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the related actual results. The Directors consider the critical accounting estimates and judgements to be:

- **Revenue recognition**
  Judgement is required in selecting the appropriate timing and amount of revenue recognised, particularly where the Group recognises performance related income. Revenue is only recognised when it can be reliably estimated using customer specific information and, where there is a performance related element, to the extent to which the performance criteria have been met

  The likelihood of collection of trade receivables also requires judgement to be applied. The Group monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances

- **Contingent deferred consideration and put option payments in respect of acquisitions**
  The Group determines the amount of deferred consideration to be recognised according to the formulae agreed at time of acquisition, normally related to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The liability for deferred consideration is reviewed at each balance sheet date and revaluation entries are applied, if required, to deferred consideration and either goodwill or profit or loss in accordance with the Group's accounting policy for business combinations, discussed above

  Deferred consideration liabilities are discounted to their fair value in accordance with IFRS 3 and IAS 37. The difference between the fair value of these liabilities and the actual amounts payable is charged to the income statement as a notional finance cost

  Key areas of judgement in calculating the fair value of the put option liabilities are the expected future cash flows and earnings of the acquired entity and the discount rate

- **Recognition of share-based payments**
  The Group makes share-based payments to certain employees. These payments are measured at their estimated fair value at the date of grant. The fair value is determined by an external valuer using a stochastic model

  The fair value is expensed on a straight-line basis over the vesting period of the grant. The vesting period charge is calculated with reference to the estimated number of awards that are expected to vest, as determined by the anticipated number of leavers during the vesting period and based on an annual assessment of non-market performance conditions attached to certain awards. See note 31 for further details

- **Valuation of intangible assets**
  The Group exercises judgement in determining the fair value of identifiable assets, liabilities and contingent liabilities assumed in business combinations. In calculating the fair values of intangibles the Group makes assumptions on the timing and amount of future cash flows generated by the assets it has acquired, the appropriate discount rates and the useful economic lives of the assets purchased

- **Impairment**
  In determining whether an impairment loss has arisen on goodwill or intangible assets the Group makes judgements over the value in use of its CGUs. In calculating the value in use of a CGU the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows and determine if an impairment has occurred. Key areas of judgement include the determination of the long term growth rate applicable to each CGU and the determination of the CGUs themselves. See note 13 for further details

3. Accounting policies / (continued)

Accounting estimates and uncertainties (continued)

– **Taxation**

Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are regularly monitored and the requirement for recognition of any liabilities assessed where necessary

Being a multinational Group with tax affairs in many geographic locations inherently leads to a highly complex tax structure which makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of legal processes. Such issues can take several years to resolve. The Group takes a conservative view of unresolved issues, however the inherent uncertainty regarding these items means that the eventual resolution could differ significantly from the accounting estimates and therefore may impact the Group's results and future cash flows

– **Deferred tax**

The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

4. Segment reporting /

Business segments

The segmentation of the Group's results is driven by information provided to the Group's chief operating decision-maker, the Board of Directors. Up to the disposal of Synovate, information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance focused on the two business divisions of Aegis Media and Synovate, which incorporated the global Aztec business, reflecting the management structure of the Group historically and for the majority of 2011. These divisions, which operate in the media and market research sectors respectively are therefore the Group's reportable segments under IFRS 8. Intersegment trading is not significant to the operating segments and no intersegment trading information is included in reports to the Board of Directors. Therefore all information reported below relates to external trades.

The accounting policies of the reportable segments are the same as the Group's accounting policies, which are described in note 3. Segment result represents segment underlying operating profit, which is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance. The Board of Directors also monitors the tangible, intangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments with the exception of centrally-managed financial instruments, tax and other centrally-managed balances. Goodwill is allocated to the segments as described in note 13.

The discontinued operations of Synovate are separately disclosed in the tables below. The Group's operating segments as shown are based on the two-divisional management structure of the Group prior to the disposal of Synovate, which was the management structure in place for the majority of 2011. Subsequent to the disposal, the Board of Directors is considering a possible change to the segmental disclosure for external reporting purposes, with any such change expected to be included in external reporting for 2012.

An analysis of revenue and operating segment result by reportable segment is set out below:

Underlying performance

	2011 Revenue £m	2011 Result £m	2010 Revenue £m	2010 Result £m
Aegis Media	1,068.8	208.5	886.8	164.7
Aztec	66.2	8.1	54.2	4.5
Reportable segment revenue / result	1,135.0	216.6	941.0	169.2
Corporate costs	–	(19.2)	–	(18.1)
	1,135.0	197.4	941.0	151.1
Discontinued operations	361.5	3.3	518.4	41.1
	1,496.5	200.7	1,459.4	192.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

4. Segment reporting / (continued)

Below is a reconciliation of reportable segment results to statutory results:

2011	Underlying results £m	Amortisation of purchased intangibles £m	Acquisition costs £m	Disposal of subsidiaries & associates(1) £m	UK property move costs £m	Fair value adjustments(2) £m	Deferred tax adjustment(3) £m	Statutory results £m
Aegis Media	208.5	(32.9)	(2.9)	(2.7)	(2.1)	–	–	167.9
Aztec	8.1	(1.8)	(0.1)	(8.1)	–			(1.9)
Reportable segment result	216.6	(34.7)	(3.0)	(10.8)	(2.1)	–	–	166.0
Corporate	(19.2)	–	(0.3)	–	(0.7)	–	–	(20.2)
Operating profit	197.4	(34.7)	(3.3)	(10.8)	(2.8)	–	–	145.8
Share of results of associates	4.0	(2.0)	–	–	–	–	–	2.0
Profit before interest and tax	201.4	(36.7)	(3.3)	(10.8)	(2.8)	–	–	147.8
Investment income	6.3	–	–	–	–	–	–	6.3
Finance costs	(45.9)	–	–	–	–	(1.8)		(47.7)
Net finance costs	(39.6)	–	–	–	–	(1.8)	–	(41.4)
Profit before tax	161.8	(36.7)	(3.3)	(10.8)	(2.8)	(1.8)	–	106.4
Tax	(32.4)	11.0	–	–	0.7	–	(4.6)	(25.3)
Profit after tax	129.4	(25.7)	(3.3)	(10.8)	(2.1)	(1.8)	(4.6)	81.1
(Loss) / profit from discontinued operations after tax	(1.3)	(2.7)	–	88.2	–	–	–	84.2
	128.1	(28.4)	(3.3)	77.4	(2.1)	(1.8)	(4.6)	165.3

(1) The net loss incurred on disposal or closure of subsidiaries, and the gain on disposal or deemed disposal of associates, includes the impairment of goodwill where relevant and any reclassification of cumulative exchange gains or losses.
(2) Fair value adjustments comprise gains of £0.9m on revaluation of put option liabilities, gains of £7.5m on revaluation of deferred consideration liabilities, and losses of £(0.8)m and £(9.4)m on revaluation of derivatives and impairment of available-for-sale financial assets respectively.
(3) Deferred tax adjustment for tax amortisation of goodwill.

The total impact of adjusting items between underlying and statutory profit after tax for continuing operations is a reduction of £48.3m, as presented above, £46.2m of which is attributable to equity holders of the parent.

The total impact of adjusting items between underlying and statutory profit after tax for the Total Group is an increase of £37.2m, as presented above, £39.9m of which is attributable to equity holders of the parent.

4. Segment reporting / (continued)

2010	Underlying results £m	Amortisation of purchased intangibles £m	Acquisition costs £m	Disposal of subsidiaries & associates[1] £m	Exceptional debtor impairment £m	UK property move costs £m	Fair value adjustments[2] £m	Deferred tax adjustment[3] £m	Statutory results £m
Aegis Media	164.7	(19.9)	–	(12.2)	(37.0)	(7.6)	–	–	88.0
Aztec	4.5	(1.4)	–	(1.4)	–	–			1.7
Reportable segment result	169.2	(21.3)	–	(13.6)	(37.0)	(7.6)	–	–	89.7
Corporate	(18.1)	–	(4.5)	–	–	(1.2)	–	–	(23.8)
Operating profit	151.1	(21.3)	(4.5)	(13.6)	(37.0)	(8.8)	–	–	65.9
Share of results of associates	4.0	(2.0)	–	1.5	–	–	–	–	3.5
Profit before interest and tax	155.1	(23.3)	(4.5)	(12.1)	(37.0)	(8.8)	–	–	69.4
Investment income	6.1	–	–	–	–	–	–	–	6.1
Finance costs	(38.9)	–	–	–	–	–	(3.1)	–	(42.0)
Net finance costs	(32.8)	–	–	–	–	–	(3.1)	–	(35.9)
Profit before tax	122.3	(23.3)	(4.5)	(12.1)	(37.0)	(8.8)	(3.1)	–	33.5
Tax	(28.5)	5.6	–	1.6	11.1	–	–	(3.3)	(13.5)
Profit after tax	93.8	(17.7)	(4.5)	(10.5)	(25.9)	(8.8)	(3.1)	(3.3)	20.0
Profit from discontinued operations after tax	28.2	(3.9)	–	(0.3)	–	–	(0.1)	(0.9)	23.0
	122.0	(21.6)	(4.5)	(10.8)	(25.9)	(8.8)	(3.2)	(4.2)	43.0

(1) The net loss incurred on disposal or closure of subsidiaries, and the gain on disposal or deemed disposal of associates, includes the impairment of goodwill where relevant and any reclassification of cumulative exchange gains or losses.
(2) Fair value adjustments comprise gains of £0.2m on revaluation of put option liabilities, a loss of £(1.0)m on revaluation of deferred consideration liabilities, and losses of £(0.4)m and £(2.0)m on revaluation of derivatives and impairment of available-for-sale financial assets respectively.
(3) Deferred tax adjustment for tax amortisation of goodwill.

The total impact of adjusting items between underlying and statutory profit after tax from continuing operations for 2010 was £73.8m, as presented above, £72.3m of which is attributable to equity holders of the parent in 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

4. Segment reporting / (continued)

Segment assets and other segment information

2011	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media	3,978.7	(3,047.4)	55.3	251.0	9.4
Aztec	77.8	(57.1)	3.3	4.7	–
Reportable segment total	4,056.5	(3,104.5)	58.6	255.7	9.4
Borrowings not allocated to reportable segments	–	(760.1)	–	–	–
Other items not allocated to reportable segments	349.3	(78.5)	1.4	9.1	–
	4,405.8	(3,943.1)	60.0	264.8	9.4
Discontinued operations	–	–	10.8	28.2	–
Consolidated Total	4,405.8	(3,943.1)	70.8	293.0	9.4

2010	Assets £m	Liabilities £m	Depreciation and amortisation £m	Additions to non-current assets £m	Impairment £m
Aegis Media	3,626.5	(2,851.6)	38.5	359.1	10.2
Aztec	70.6	(45.7)	1.9	18.9	5.6
Reportable segment total	3,697.1	(2,897.3)	40.4	378.0	15.8
Borrowings not allocated to reportable segments	–	(637.8)	–	–	–
Other items not allocated to reportable segments	104.9	(89.9)	3.4	1.6	–
	3,802.0	(3,625.0)	43.8	379.6	15.8
Discontinued operations	656.3	(164.9)	14.0	8.2	–
Consolidated Total	4,458.3	(3,789.9)	57.8	387.8	15.8

The impairment recorded in 2011 relates to available-for-sale assets.

Revenue from major products and services

Aegis Media's business comprises the provision of a number of integrated media services, which are considered to represent a single group of closely-related services. Therefore, no further analysis by service is necessary.

Geographical information

The Group operates in numerous countries throughout the world. Management has determined that revenues from external customers attributed to an individual foreign country are material if they make up more than 10% of consolidated Group revenue, and in such cases the revenue arising in these countries is disclosed separately. The Group's country of domicile is the UK.

The following table is given for the Total Group, including Synovate.

	Revenue		Non-current assets	
	2011 £m	2010 £m	2011 £m	2010 £m
UK	188.1	181.5	159.3	161.0
USA	253.4	280.6	165.9	345.0
Australia	162.2	87.9	388.5	416.8
Other	892.8	909.4	600.4	631.2
Consolidated total	1,496.5	1,459.4	1,314.1	1,554.0

Major customers

The Group does not have a single external customer that contributes 10% or more to Group revenue.

5. Operating profit /

Operating profit from continuing operations has been arrived at after charging/(crediting):

	2011 £m	2010 £m
Net foreign exchange (gains)/losses	(0.5)	0.9
Depreciation of property, plant and equipment	19.2	16.5
Amortisation of intangible assets included in operating expenses	40.8	27.3
Operating lease expense (note 30)	51.4	41.8
Staff costs (note 6)	635.5	518.0

Total Group net foreign exchange gains were £0.7m (2010: losses £2.9m). Total Group charges to operating profit in respect of depreciation, amortisation, operating lease expenses and staff costs are given in notes 15, 14, 30 and 6 respectively.

A detailed analysis of auditors' remuneration charged to operating profit from continuing operations is provided below:

	2011 £m	2011 %	2010 £m	2010 %
Audit fees				
Fees payable to the Company's auditors for the audit of the company's annual accounts	0.2	8.0%	0.3	6.4%
Fees payable to the Company's auditors and their associates for other services to the group:				
– The audit of the Company's subsidiaries pursuant to legislation	1.5	60.0%	3.2	68.1%
Total audit fees	1.7	68.0%	3.5	74.5%
Non audit fees				
– Other services pursuant to legislation (interim review)	0.1	4.0%	0.1	2.1%
– Tax services	0.2	8.0%	0.4	8.5%
– Other services	0.5	20.0%	0.7	14.9%
Total non-audit fees	0.8	32.0%	1.2	25.5%
Total fees paid to the Company's auditors	2.5	100.0%	4.7	100.0%

No additional amounts were charged to Synovate operating profit in respect of remuneration of the Company's auditors. The non-audit fees charged include fees for performing the role of the reporting accountant in relation to the pro forma financial information included in the circular provided to shareholders in respect of the disposal of Synovate.

A description of the work of the Audit Committee is set out in the corporate governance statement on page 53 and includes an explanation of how auditor objectivity is safeguarded when non-audit services are provided by the auditors.

6. Staff costs /

The average monthly number of employees in the Group's continuing operations was:

	2011 Number	2010 Number
Aegis Media	11,523	10,247
Aztec	437	409
Corporate	45	39
	12,005	10,695

The average monthly number of employees for the Total Group in the year was 16,576 (2010: 16,578).

Staff costs for continuing operations consist of:

	2011 £m	2010 £m
Wages, salaries, bonus and benefits	547.0	444.1
Social security costs	76.0	67.4
Other pension costs	12.5	6.5
	635.5	518.0

Staff costs for the Total Group in the year totalled £801.3m (2010: £720.8m).

Wages, salaries, bonus and benefits for the continuing group includes a share-based payment charge of £6.9m (2010: £5.8m). The share-based payment charge for the Total Group in the year was £11.0m (2010: £8.3m). See note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

7. Investment income /

	2011 £m	2010 £m
Interest receivable from continuing operations	6.3	6.1

Interest receivable from continuing operations includes £Nil (2010: £0.1m) in respect of the expected return on pension scheme assets (see note 32).

8. Finance costs /

	2011 £m	2010 £m
Interest payable on bank loans and overdrafts	(1.3)	(3.6)
Interest payable on loan notes, other loans and pension scheme liabilities	(39.1)	(31.8)
	(40.4)	(35.4)
Exchange movements on financing items	–	(0.7)
Amortisation of financing costs and fees	(5.5)	(2.7)
Fair value movements on deferred consideration	7.5	(1.0)
Fair value movements on acquisition put options	0.9	0.2
Fair value movements on non-hedge derivatives	(0.9)	(0.4)
Fair value movement arising on derivatives in a designated fair value hedge	11.2	7.6
Adjustment to hedged items in a designated fair value hedge	(11.1)	(7.6)
Impairment of available-for-sale financial assets	(9.4)	(2.0)
Finance costs from continuing operations	**(47.7)**	(42.0)

Exchange movements on financing items includes fair value movements in derivative instruments intended to provide a natural hedge of exchange rate risk. Information on the Group's designated fair value hedges is given in note 20.

9. Tax on profit on ordinary activities /

The tax charge from continuing operations is made up of the following:

	2011 £m	2010 £m
Current tax – UK taxation at 26.5% (2010: 28.0%)	(0.2)	0.2
Current tax – overseas	43.5	32.4
Adjustments in respect of prior years	1.4	5.0
	44.7	37.6
Deferred tax (note 21)	(19.4)	(24.1)
	25.3	13.5

The underlying effective tax rate on underlying profits from continuing operations for the year ended 31 December 2011 is 20.0% (2010: 23.3%). The following disclosures are given for continuing operations.

The tax charge for the year ended 31 December 2011 is £25.3m (2010: £13.5m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 23.8% (2010: 40.3%). The tax charge for the year ended 31 December 2011 includes a deferred tax expense of £4.6m (2010: £3.3m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale or impairment of the business in question.

UK Corporation tax is calculated at 26.5 % (2010: 28.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Following the UK Budget of 23 March 2011, it was announced that the main rate of corporation tax would reduce from 28% to 26% effective from 1 April 2011 and 25% effective from 1 April 2012. These changes were enacted in 2011. As a result the disclosure of deferred tax has been adjusted to reflect the enactment.

Further reductions to the main rate of corporation tax are proposed to reduce the rate by a further 1% each 1 April thereafter until reaching 23% with effect from 1 April 2014. As this legislation was not substantively enacted by the balance sheet date it has not been reflected within these financial statements, however it is expected that the changes would not have a significant impact on the value of the company's deferred tax balances at the balance sheet date.

9. Tax on profit on ordinary activities / (continued)

The total charge for the year for the Total Group can be reconciled to the accounting profit as follows:

	2011 £m	2010 £m
Profit before tax from continuing operations	106.4	33.5
Profit before tax from discontinued operations	91.4	34.5
Profit before income tax	197.8	68.0
Tax at the UK corporation tax rate of 26.5% (2010: 28.0%)	52.4	19.0
Adjustments in respect of prior years	1.6	4.4
Tax effect of income/expenditure that is not taxable/deductible	11.0	3.2
Rate differences on overseas earnings	(5.4)	(2.2)
Tax losses carried forward in the period: UK	4.9	3.2
Tax losses carried forward in the period: Overseas	1.4	(4.7)
Tax payable on gain on sale of discontinued operations	4.2	–
Differences arising from discontinued operations	(20.9)	4.3
Impact of short term temporary difference not recognised for deferred tax	(16.7)	(2.2)
Tax expense for the year	32.5	25.0
Effective rate of statutory tax charge on statutory profits	16.4%	36.8%

IAS 1 requires income from associates to be presented net of tax on the face of the income statement and not in the Group's tax charge. Associates' tax included within 'share of results of associates' for the year ended 31 December 2011 is £0.1m (2010: £0.1m).

The tax charge for the continuing group for the year is reconciled to the Total Group charge below:

	2011 £m	2010 £m
Tax expense for the year from continuing operations	25.3	13.5
Tax expense for the year from discontinued operations	3.0	11.5
Tax charge arising on gain on disposal	4.2	–
	32.5	25.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

10. Discontinued operations /

The Group completed the disposal of Synovate, its market research business, excluding Aztec, the scan data services business, to Ipsos S.A. on 12 October 2011, following approval from the ordinary shareholders of Aegis Group plc on 16 August 2011, and receipt of mandatory anti-trust clearances. Therefore the results of Synovate (excluding Aztec) are shown as 'discontinued operations' in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

The financial performance of Synovate in the nine months to the disposal date is shown below:

	Nine months to date of disposal £m	Year ended 31 December 2010 £m
Revenue	361.5	518.4
Cost of sales	(141.2)	(197.6)
Gross profit from discontinued operations	220.3	320.8
Operating expenses	(220.8)	(285.2)
(Loss)/profit from discontinued operations before interest and tax	(0.5)	35.6
Investment income	0.4	0.5
Finance costs	(0.9)	(1.6)
Net finance costs	(0.5)	(1.1)
(Loss)/profit from discontinued operations before tax	(1.0)	34.5
Tax	(3.0)	(11.5)
(Loss)/profit for the period from discontinued operations	(4.0)	23.0
Basic (losses)/earnings per share (pence)	(0.3)	2.0
Diluted (losses)/earnings per share (pence)	(0.3)	1.9

The statutory financial performance disclosed above includes pre-tax amortisation of purchased intangibles of £3.8m (2010: £5.2m).

The net cash flows attributable to the operating, investing and financing activities of Synovate prior to disposal are presented below.

This excludes the cash flows on divestment.

Net cash flows

	Nine months to date of disposal £m	Year ended 31 December 2010 £m
Operating cash flow	(12.3)	42.8
Investing cash flow	(21.0)	(13.6)
Financing cash flow	(2.8)	(4.0)
Net cash flow	(36.1)	25.2

The Group completed the disposal of Synovate based on an enterprise value of £525m on a cash free / debt free basis. The transaction is subject to the normal finalisation of completion date actual levels of working capital, cash and debt. The gain on disposal is £88.2m based on the carrying value of assets disposed, including the reclassification of related cumulative exchange movements, required by IAS 21 Foreign Exchange, and taxation charges related to the disposal.

Gain on disposal

	2011 £m
Gain on disposal before tax	92.4
Tax	(4.2)
Gain on disposal after tax	88.2

10. Discontinued operations / (continued)

On the date of disposal, the Group disposed of the following net assets:

Gain on disposal

	At date of disposal £m
Non-current assets	
Goodwill	395.5
Intangible assets	24.1
Property, plant and equipment	17.9
Other non-current assets	6.4
	443.9
Current assets	
Work in progress	15.6
Trade and other receivables	152.3
Cash and short term deposits	21.6
	189.5
Total assets	633.4
Current liabilities	
Trade and other payables	(113.3)
Other current liabilities	(1.5)
	(114.8)
Non-current liabilities	
Non-current liabilities	(36.6)
	(36.6)
Total liabilities	(151.4)
Net assets	482.0

11. Dividends /

	2011	2010
Ordinary shares		
Dividend rate per share for the period (pence)	20.28	2.75
Declared and paid during the period	£m	£m
Final dividend for 2009 of 1.54p per share	–	17.9
Interim dividend for 2010 of 1.025p per share	–	12.0
Final dividend for 2010 of 1.725p per share	22.2	–
Interim dividend for 2011 of 1.08p per share	13.9	–
Special dividend for 2011 of 15.53p per share	200.0	–
	236.1	29.9
Proposed but not yet declared or paid at the balance sheet date	£m	£m
Final dividend for 2010 of 1.725p per share	–	22.2
Final dividend for 2011 of 2.01p per share	23.5	–
	23.5	22.2

The employee share trust has an ongoing arrangement with the Group to waive all dividends. As a result, the total cash paid in settlement of the final dividend for 2010 was £21.8m, the total cash paid in respect of the interim dividend for 2011 was £13.7m and the total cash paid in respect of the special dividend was £196.0m. The special dividend was combined with a 10 for 11 consolidation of Aegis Group plc ordinary shares. Based on the number of shares held by the employee share trust as at 31 December 2011, the expected cash payment in settlement of the 2011 final dividend is £23.1m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

11. Dividends / (continued)

An interim dividend of 1.08p per share was paid on 23 September 2011, shortly before the 10 for 11 share consolidation undertaken on 24 October 2011. This is equivalent to 1.19p per share on a post-consolidation basis. The final dividend proposed for the year is 2.01p per share, making a total dividend for the year of 3.20p per share on a post-consolidation basis, excluding the special dividend announced on 14 October 2011. The special dividend of 15.53p per share (equivalent to 17.08p per share on a post-consolidation basis) increases the total dividend for the year to 20.28p per share on a post-consolidation basis.

The final dividend for 2011, if approved, will be paid on 4 July 2012 to all ordinary shareholders on the register at 15 June 2012.

12. Earnings per share

	2011	2010
Profit for the period		
Continuing Operations		
Profit for the period from continuing operations attributable to equity holders of the parent for the calculation of basic and diluted EPS (£m)	79.6	18.2
Adjusting items (note 4) (£m)	46.2	72.3
Underlying profit for the year from continuing operations attributable to equity holders of the parent for the calculation of underlying basic EPS (£m)	125.8	90.5
Finance costs due to convertible bond (net of tax) (£m)	9.8	6.7
Underlying profit for the year from continuing operations attributable to equity holders of the parent for the calculation of underlying diluted EPS (£m)	135.6	97.2
Total Group		
Profit for the period attributable to equity holders of the parent for the calculation of basic EPS (£m)	164.1	41.2
Adjusting items (note 4) (£m)	(39.9)	77.4
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying basic EPS (£m)	124.2	118.6
Finance costs due to convertible bond (net of tax) (£m)	9.8	6.7
Underlying profit for the year attributable to equity holders of the parent for the calculation of underlying diluted EPS (£m)	134.0	125.3
Weighted average number of ordinary shares (millions)		
Basic weighted average number of ordinary shares	1,223.1	1,156.8
Dilutive potential ordinary shares: employee share options	1.2	1.5
Diluted weighted average number of ordinary shares for statutory diluted EPS	1,224.3	1,158.3
Dilutive potential ordinary shares: convertible bond	116.5	81.0
Diluted weighted average number of shares for underlying diluted EPS	1,340.8	1,239.3
Continuing Operations		
Basic earnings per share from continuing operations (pence)	6.5	1.6
Diluted earnings per share from continuing operations (pence)	6.5	1.6
Underlying basic earnings per share from continuing operations (pence)	10.3	7.8
Underlying diluted earnings per share from continuing operations (pence)	10.1	7.8
Full Group		
Basic earnings per share on profit for the year (pence)	13.4	3.6
Diluted earnings per share on profit for the year (pence)	13.0	3.6
Underlying basic earnings per share on profit for the year (pence)	10.2	10.3
Underlying diluted earnings per share on profit for the year (pence)	10.0	10.1

Profits attributable to non-controlling interests for the Total Group were £1.2m (2010: £1.8m), of which £1.5m related to continuing operations (2010: £1.9m).

12. Earnings per share / (continued)

The calculation of basic and diluted earnings per share is based on profit after tax and non-controlling interests. The weighted average number of shares excludes the Group's interest in own shares held through an employee share trust.

On 20 April 2010 the Group issued £190.6m convertible bonds due April 2015, bearing interest at 2.5%. In calculating underlying diluted earnings per share above, the potential ordinary shares to be issued on conversion are added to the diluted weighted average number of shares, as if the bonds had converted on 1 January 2011. The underlying profit for the year attributable to equity holders of the parent is also adjusted to include the interest and finance charges that would have been avoided if the bonds had converted on 1 January 2011. This treatment has not been applied for statutory earnings per share from continuing operations, as the convertible bonds are accretive to statutory earnings per share from continuing operations.

On 14 October 2011 the Group announced a '10 for 11' share consolidation effective 24 October 2011. This had the effect of reducing the number of shares in issue from 1,287,967,200 shares immediately before the consolidation to 1,170,879,272 shares immediately after the consolidation.

Changes in the Group's accounting policies during the year are described in note 2 and have no impact on EPS.

13. Goodwill /

	£m
Cost	
At 1 January 2010	**1,036.1**
Additions	260.0
Other acquisition adjustments	(0.4)
Adjustments to prior period estimates of deferred consideration	15.9
Exchange differences	55.4
At 31 December 2010	**1,367.0**
Additions	146.7
Other acquisition adjustments	1.1
Adjustments to prior period estimates of deferred consideration	4.9
Disposal of subsidiaries	(395.5)
Exchange differences	(18.6)
At 31 December 2011	**1,105.6**
Accumulated impairment losses	
At 1 January 2010	**25.2**
Impairment losses for the year	10.7
At 31 December 2010	**35.9**
Impairment losses for the year	–
At 31 December 2011	**35.9**

Carrying amount	**£m**
At 31 December 2011	**1,069.7**
At 31 December 2010	1,331.1

The adjustments to prior period estimates of deferred consideration shown above relate to acquisitions completed prior to 1 January 2010, which continue to be accounted for under IFRS 3 (2004). Therefore such changes in estimate affect goodwill rather than profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

13. Goodwill / (continued)

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) which reflects how it is monitored for internal management purposes. This allocation largely represents the geographic areas of operation for Aegis Media and the global Aztec business as set out below.

	2011 £m	2010 £m
Aegis Media EMEA	**415.6**	305.9
Aegis Media Americas	**205.7**	195.2
Aegis Media Asia Pacific	**393.6**	382.2
Aegis Media	**1,014.9**	883.3
Aztec	**54.8**	–
Total	**1,069.7**	883.3
Synovate EMEA	**–**	163.4
Synovate Americas	**–**	189.4
Synovate Asia Pacific	**–**	95.0
Total	**–**	447.8
	1,069.7	1,331.1

Following the disposal of Synovate, the global Aztec business has been identified as a separate CGU.

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and management forecasts for the subsequent three years. These calculations reflect management's experience and future expectations of the markets in which the CGU operates. Long term average growth rates used in the projections range between 3.0% (for mature markets) and 5.0% (for higher growth markets) and vary with management's view of the CGU's market position and maturity of the relevant market. The pre-tax rate used to discount the forecast cash flows is 12.1% for mature markets and 13.1% for the developing markets in Asia Pacific.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as market growth, discount rates and currency exchange rates.

14. Intangible assets /

	Software £m	Customer Relationships £m	Non-compete Agreements £m	Intellectual Property £m	Other £m	Total £m
Cost						
At 1 January 2010	**48.0**	**60.9**	**22.9**	**4.1**	**42.4**	**178.3**
Additions						
– separately acquired	5.6	–	–	–	2.1	7.7
– internally generated	1.1	–	–	–	0.6	1.7
Acquired on acquisition of a subsidiary	1.1	32.0	–	13.0	6.0	52.1
Disposals	(6.2)	–	–	–	(1.3)	(7.5)
Transfers and other movements	0.1	–	–	–	(0.1)	–
Exchange differences	0.2	4.4	0.5	1.2	2.0	8.3
At 31 December 2010	**49.9**	**97.3**	**23.4**	**18.3**	**51.7**	**240.6**
Additions						
– separately acquired	10.0	–	–	–	2.2	12.2
– internally generated	1.2	–	–	–	0.2	1.4
Acquired on acquisition of a subsidiary	2.6	59.9	19.9	1.3	7.4	91.1
Disposals	(2.2)	(1.5)	–	(0.1)	(6.3)	(10.1)
Disposal of subsidiaries	(17.5)	(19.7)	(5.1)	(2.6)	(16.9)	(61.8)
Transfers and Other Movements	–	(0.1)	–	2.2	(2.6)	(0.5)
Exchange Differences	(1.6)	(2.8)	(1.0)	–	(1.0)	(6.4)
At 31 December 2011	**42.4**	**133.1**	**37.2**	**19.1**	**34.7**	**266.5**
Amortisation						
At 1 January 2010	**37.6**	**24.2**	**7.1**	**2.7**	**21.2**	**92.8**
Charge for the year	6.2	13.4	5.0	1.9	8.6	35.1
Disposals	(5.7)	–	–	–	(0.2)	(5.9)
Impairment	–	1.7	0.8	–	1.8	4.3
Exchange differences	0.2	0.6	0.2	–	0.8	1.8
At 31 December 2010	**38.3**	**39.9**	**13.1**	**4.6**	**32.2**	**128.1**
Acquired on acquisition of a subsidiary	2.1	–	–	–	–	2.1
Charge for the year	7.1	22.3	6.4	5.4	6.1	47.3
Disposals	(2.2)	(1.5)	–	(0.1)	(6.2)	(10.0)
Disposal of subsidiaries	(11.7)	(10.5)	(0.4)	(2.0)	(13.1)	(37.7)
Transfers and Other Movements	(0.8)	–	–	1.5	(0.7)	–
Exchange differences	(1.2)	(0.4)	(0.3)	0.1	(0.9)	(2.7)
At 31 December 2011	**31.6**	**49.8**	**18.8**	**9.5**	**17.4**	**127.1**
Carrying amount						
At 31 December 2011	**10.8**	**83.3**	**18.4**	**9.6**	**17.3**	**139.4**
At 31 December 2010	11.6	57.4	10.3	13.7	19.5	112.5

The carrying amount of other intangible assets includes patents and trademarks of £5.3m (2010: £5.2m) and other intangibles of £12.0m (2010: £14.1m).

All intangible assets have been subject to amortisation in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

15. Property, plant and equipment /

	Freehold land and buildings £m	Long leasehold and leasehold improvements £m	Office furniture, fixtures, equipment and vehicles £m	Total £m
Cost				
At 1 January 2010	**2.9**	**68.6**	**147.9**	**219.4**
Additions	–	6.0	14.0	20.0
Acquired on acquisition of a subsidiary	–	0.5	4.5	5.0
Disposals	–	(10.9)	(23.4)	(34.3)
Exchange differences	–	0.9	3.0	3.9
At 31 December 2010	**2.9**	**65.1**	**146.0**	**214.0**
Additions	0.5	17.3	17.0	34.8
Acquisitions of subsidiaries	0.3	0.5	3.8	4.6
Disposals and assets retired	(0.2)	(5.2)	(25.1)	(30.5)
Disposal of subsidiaries	(2.4)	(17.0)	(45.2)	(64.6)
Transfers and other movements	–	(1.0)	1.3	0.3
Exchange differences	–	(1.2)	(3.4)	(4.6)
At 31 December 2011	**1.1**	**58.5**	**94.4**	**154.0**
Accumulated depreciation				
At 1 January 2010	**1.1**	**43.5**	**114.9**	**159.5**
Charge for the year	0.1	6.9	15.7	22.7
Disposals	–	(10.3)	(22.1)	(32.4)
Impairment	–	0.3	–	0.3
Exchange differences	–	0.6	1.4	2.0
At 31 December 2010	**1.2**	**41.0**	**109.9**	**152.1**
Acquisitions of subsidiaries	–	0.5	3.2	3.7
Charge for the year	0.1	7.6	15.8	23.5
Disposals and assets retired	(0.2)	(3.8)	(23.6)	(27.6)
Disposal of subsidiaries	(1.0)	(9.9)	(35.8)	(46.7)
Transfers and other movements	–	(0.2)	0.2	–
Exchange differences	–	(1.0)	(2.7)	(3.7)
At 31 December 2011	**0.1**	**34.2**	**67.0**	**101.3**
Carrying amount				
At 31 December 2011	**1.0**	**24.3**	**27.4**	**52.7**
At 31 December 2010	1.7	24.1	36.1	61.9

At 31 December 2011, the Group had £21.1m capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2010: £2.7m). These commitments arise primarily in relation to leasehold improvements and office furniture and fittings in new premises. Proceeds from the disposal of property, plant and equipment, excluding assets disposed as part of the disposal of subsidiaries, are £2.7m (2010: £1.3m).

16. Interests in associates and joint ventures /

a) Carrying amount

	Associates £m	Joint ventures £m	Total £m
At 1 January 2011	**38.7**	**9.8**	**48.5**
Additions	7.9	3.8	11.7
Share of profit after tax	4.0	(2.0)	2.0
Deemed disposal	–	(11.3)	(11.3)
Dividends received	(0.3)	–	(0.3)
Exchange differences	1.7	–	1.7
At 31 December 2011	**52.0**	**0.3**	**52.3**

Investments in associates at 31 December 2011 include goodwill of £17.8m (2010: £11.4m).

At 31 December 2011, the Group's investment in Charm represented 18.9% (2010: 18.9%) of the voting power. The Group's direct operating relationship with Charm, including active Board membership, lead to significant influence over the operating and financial policies of Charm.

Losses of £0.2m arising in certain associates have been excluded from the Group share of the result of associates in the current year (2010: £0.8m) since the carrying amount as presented above has been reduced to nil in previous years. The cumulative total of the unrecognised share of losses is £0.6m (2010: £1.1m).

b) Investments in associates

The following represents the aggregate amount of the Group's interests in associated companies' assets, liabilities, revenue and profit:

Group's interests

	2011 £m	2010 £m
Total assets	**66.9**	51.8
Total liabilities	**(33.3)**	(26.4)
	33.6	25.4
Goodwill	**17.8**	11.4
	51.4	36.8
Total revenue	**38.2**	11.0
Total profit	**4.0**	2.1

The following represents the summarised financial information of the Group's associated companies' assets, liabilities, revenues and profit:

	2011 £m	2010 £m
Total assets	**350.9**	269.7
Total liabilities	**(145.2)**	(108.9)
Total revenue	**210.4**	52.9
Total profit	**33.5**	25.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

17. Available-for-sale financial assets /

	2011 £m	2010 £m
Equity investments	**4.8**	15.6

The equity investments held at the 2011 year end represent a stake of approximately 2.0% in Harris Interactive Inc., a company listed on the NASDAQ exchange, and a stake of approximately 11.6% in Qin Jia Yuan Media Services, a company listed in Hong Kong, along with a number of smaller unlisted securities. The unlisted securities are held by a number of Group companies and represent numerous small investments in private companies.

18. Trade and other receivables /

	2011 £m	2010 £m
Trade receivables and accrued income	**2,199.6**	2,200.4
Prepayments	**73.7**	68.4
Other receivables	**99.1**	145.3
	2,372.4	2,414.1

The average credit period taken for trade receivables is 39 days (2010: 44 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables for the Group are stated net of an allowance for doubtful receivables of £76.9m (2010: £77.7m).

	£m
At 1 January 2010	**37.8**
Provided in the year	54.5
Release of allowance	(3.1)
Utilisation of allowance	(11.1)
Exchange differences	(0.4)
At 1 January 2011	**77.7**
Provided in the year	12.3
Disposal of subsidiaries	(3.3)
Release of allowance	(4.2)
Utilisation of allowance	(3.4)
Exchange differences	(2.2)
At 31 December 2011	**76.9**

As of 31 December 2011, trade receivables of £662.4m (2010: £567.8m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2011 £m	2010 £m
Under 3 months	**591.1**	479.6
Over 3 months	**71.3**	88.2
	662.4	567.8

19. Trade and other payables /

	2011 £m	2010 £m
Trade payables and accruals	**2,463.9**	2,381.5
Deferred income	**58.3**	119.1
Taxation and social security	**86.1**	78.5
Deferred consideration (note 27)	**53.9**	43.7
Other payables	**286.5**	294.5
	2,948.7	2,917.3

The average credit period taken for trade payables is 42 days (2010: 50 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

20. Financial instruments /

The Group has established objectives concerning the holding and use of financial instruments which are discussed in the principal risks and uncertainties section on page 30. The key objective is to manage the financial risks faced by the Group, which are discussed below. Formal policies and guidelines have been set to achieve these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

The Group manages its capital to enable the entities in the Group to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the Group's borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and reserves and retained earnings.

The Group does not trade in financial instruments nor engage in speculative arrangements and it is the Group's policy not to use any complex financial instruments, unless, in exceptional circumstances, it is necessary to cover defined risks.

Management of financial risk

The Group considers its major financial risks to be currency risk, liquidity risk, interest rate risk and credit risk. The Group's policies with regard to these risks and the strategies concerning how financial instruments are used to manage these risks are set out below.

Currency risk

A significant portion of the Group's activities takes place overseas. The Group therefore faces currency exposures on transactions undertaken by subsidiaries in foreign currencies and upon consolidation following the translation of the local currency results and net assets / liabilities of overseas subsidiaries.

The Group's foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures. The Group is party to a number of foreign currency forward contracts in the management of exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. These are held at fair value at the balance sheet date. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts. Movements in the fair value of forward foreign exchange contracts are taken to the income statement. The total notional amounts of outstanding forward foreign exchange contracts that the Group has committed are shown below.

	2011 £m	2010 £m
Forward foreign exchange contracts – notional principal	**381.9**	367.7

It is the Group's policy not to hedge exposures arising from the translation of profits or net assets as these represent an accounting rather than cash exposure.

When it is aligned with the Group's overall funding strategy, the Group's policy is to borrow locally wherever possible to act as a natural hedge against the translation risk arising from its net investments overseas. Where major borrowings are denominated in a currency other than Sterling, the Group may enter into cross-currency swaps to reduce currency risk, as explained later in this note. A currency analysis of borrowings and other financial liabilities is given in section g) of this note.

Liquidity risk

The Group's objective of ensuring that adequate funding is in place is achieved by having agreed sufficient committed bank facilities. The Group also seeks to manage its working capital requirement by requiring clients to pay for media in advance whenever possible.

At 31 December 2011, the Group had net debt (before issue costs of new debt) of £135.5m (2010: £339.5m). The Group had cash and short term deposits of £626.1m at 31 December 2011 (2010: £394.4m) and gross borrowings of £761.6m (2010: £733.9m). The Group's principal debt instruments are subject to certain financial covenants.

The following unsecured loan notes are included within gross borrowings:

Date of issue	Date repayable	2011 $m	2011 £m	2010 $m	2010 £m
28 July 2005	2012 – 2017	**342.0**	**220.5**	342.0	219.4
17 September 2007	2014 – 2017	**125.0**	**80.6**	125.0	80.2
17 December 2009	2017	**–**	**25.0**	–	25.0
17 December 2009	2017 – 2019	**183.0**	**118.0**	183.0	117.4

At 31 December 2011, the Group has undrawn committed facilities of £450.0m (2010: £450.0m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

Interest rate risk

The Group's unsecured loan notes, referred to above, are at fixed rates. All other borrowings are at floating rates. Certain portions of the Group's unsecured loan notes are subject to interest rate swaps, as explained later in this note.

The Group has in place cash pooling arrangements in a number of territories. These enable the Group to minimise the interest paid on short-term borrowings and overdrafts, whilst allowing net surplus funds to be invested in interest bearing accounts.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts presented in the balance sheet in respect of trade receivables are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade credit risk is managed in each territory through the use of credit checks on new clients and individual credit limits, where considered necessary. In some instances clients are required to pay for media in advance.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Current receivables and payables and currency disclosures

Due to the nature of the operations of the business, Group companies are able to match current receivables and payables in currencies other than their functional currency and therefore do not have material, unhedged monetary assets and liabilities. Current receivables and payables are therefore excluded from currency analyses provided in this note.

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable between 2012 and 2017. The interest rates applicable on these loan notes range from 5.25% to 5.65%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 9 November 2005 cross currency swaps were entered into for US$142m of the loan notes due in 2012 and US$50m of the loan notes due in 2015 to convert this US$ fixed rate borrowing into Euro fixed rate borrowing. The remaining US$150m of loan notes were used to provide a natural hedge against US dollar-denominated assets.

Private Placement Debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017. The interest rates applicable on these loan notes range from 6.06% to 6.29%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

Term loan – July 2009

In July 2009 the Group secured a loan of £45m available until July 2011 at a variable interest rate. In July 2011, the facility was increased to £60m with a fixed interest rate. The loan is repayable in 2014.

Private Placement Debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due in 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate borrowing to GBP floating rate borrowing. From 19 January 2010, US$50m of the loan note was designated as a net investment hedge against US dollar-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the US$50m of debt was taken to reserves.

Multi-currency credit facility – July 2010

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries until July 2015.

20. Financial instruments / (continued)

Convertible bond

The Group issued £190.6m convertible bonds in April 2010, due for repayment in April 2015. The convertible bonds bear interest at 2.5% per annum and are convertible at the option of the holder into Aegis ordinary shares at an exchange price of £1.6129, adjusted from the original exchange price of £1.6444 following the special dividend and assigned share consolidation in the year (see note 11 and 23). The total number of ordinary shares that would be issued if all bonds converted would be 118.2 million (adjusted from 115.9 million as above).

As a compound financial instrument, the net proceeds of the bond were split into a liability component and an equity component on the issue date, and at 31 December 2011 the carrying value of the liability, net of deferred issue costs, is £172.5m.

Cross currency swaps

The fair value of the cross currency swaps at 31 December 2011 is £(11.4)m (2010: £(13.4)m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swaps are synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling. The US$/Sterling legs of the swaps are designated and effective as cash flow hedges against the Group's US$ loan notes. Movements in the fair value of the US$/Sterling legs of the swaps are taken to reserves and released to the income statement when the underlying portion of US$ loan notes interest is recognised in the income statement every six months. The Euro/Sterling legs of the swaps are designated as net investment hedges in respect of certain of the Group's Euro-denominated investments. To the extent that this hedging relationship is effective, exchange differences arising on the re-translation of the swapped Euro debt are taken to reserves.

Interest rate swaps

The fair value of the interest rate swaps at 31 December 2011 is £3.9m (2010: £0.5m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised gains which the Group expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan notes. The interest rate swaps are designated and effective as fair value hedges against changes in the fair value of the debt caused by changes in interest risk. Movements in the fair value of the interest rate swaps are taken to the income statement where they offset against very similar but opposite movements in the fair value of the debt caused by movements in interest rates.

Cross currency interest rate swaps

The fair value of the cross currency interest rate swaps at 31 December 2011 is £16.2m (2010: £8.0m). The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the Sterling/US$ foreign exchange spot rate and in Sterling and US$ interest rate yields. Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to the income statement where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the income statement when the underlying portion of US$ loan notes interest is recognised in the income statement.

Covenants

Covenant requirements under the current Group financing arrangements and the performance against these requirements for the current year are given in the Financial Review on page 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

a) Categories of financial instruments

	Carrying value 2011 £m	Carrying value 2010 £m
Financial Assets		
Fair value through profit and loss (FVTPL)		
– Held for trading	**2.3**	3.2
Held to maturity investments	**0.1**	0.1
Derivative instruments in designated hedge accounting relationships	**20.1**	8.5
Available-for-sale financial assets	**4.8**	15.6
Cash and short-term deposits	**626.1**	394.4
Trade receivables and other financial assets	**1,912.8**	2,170.3
Total financial assets	**2,566.2**	2,592.1
Financial Liabilities		
Fair value through profit and loss (FVTPL)		
– Held for trading	**2.3**	2.2
– Acquisition put option derivatives	**14.4**	34.5
Derivative instruments in designated hedge accounting relationships	**11.4**	13.4
Borrowings	**754.5**	725.7
Trade payables and other financial liabilities	**2,228.3**	2,498.2
Total financial liabilities	**3,010.9**	3,274.0

Trade receivables and other financial assets are held at amortised cost and include these items of trade and other receivables that meet the definition of financial assets.

Trade payables and other financial liabilities are held at amortised cost and include these items of trade and other payables that meet the definition of financial liabilities.

20. Financial instruments / (continued)

b) Maturity profile of Group financial assets and liabilities

Financial assets

2011	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash and short-term deposits	626.1	–	–	–	–	626.1
Derivative financial assets:						
– Forward foreign exchange contracts	2.3	–	–	–	–	2.3
	628.4	–	–	–	–	628.4
Trade receivables and other financial assets	1,912.2	–	–	–	–	1,912.2
Total current	**2,540.6**	**–**	**–**	**–**	**–**	**2,540.6**
Non-current						
Available for sale financial assets	–	–	–	–	4.8	4.8
Derivative financial assets:						
– Interest rate swap	–	–	–	16.2	–	16.2
– Cross currency interest rate swaps	–	–	–	3.9	–	3.9
Other financial assets	–	–	–	–	0.7	0.7
Total non-current	–	–	–	20.1	5.5	25.6
Total	**2,540.6**	**–**	**–**	**20.1**	**5.5**	**2,566.2**

2010	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	No fixed maturity £m	Total £m
Current						
Cash and short-term deposits	394.4	–	–	–	–	394.4
Derivative financial assets:						
– Forward foreign exchange contracts	3.2	–	–	–	–	3.2
	397.6	–	–	–	–	397.6
Trade receivables and other financial assets	2,169.7	–	–	–	–	2,169.7
Total current	2,567.3	–	–	–	–	2,567.3
Non-current						
Available for sale financial assets	–	–	–	–	15.6	15.6
Derivative financial assets:						
– Interest rate swap	–	–	–	0.5	–	0.5
– Cross currency interest rate swaps	–	–	–	8.0	–	8.0
Other financial assets	–	–	–	–	0.7	0.7
Total non-current	–	–	–	8.5	16.3	24.8
Total	2,567.3	–	–	8.5	16.3	2,592.1

There are no material differences between the recorded and fair values of the Group's financial assets at 31 December 2011. The fair values of financial assets reflect market values or are based upon readily available market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

Financial liabilities

2011	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	8.9	–	–	–	8.9
Bank loans	19.9	–	–	–	19.9
Loan notes	109.4	–	–	–	109.4
	138.2	–	–	–	138.2
Less: Issue costs of debt to be amortised	(2.0)	–	–	–	(2.0)
	136.2	–	–	–	136.2
Derivative financial liabilities:					
– Forward foreign exchange contracts	2.3	–	–	–	2.3
– Cross currency swaps	8.9	–	–	–	8.9
– Put option liabilities	3.6	–	–	–	3.6
	151.0	–	–	–	151.0
Deferred consideration	53.9	–	–	–	53.9
Trade payables and other financial liabilities	2,040.9	–	–	–	2,040.9
Total current	**2,245.8**	**–**	**–**	**–**	**2,245.8**
Non-current					
Bank loans	–	18.5	75.9	–	94.4
Loan notes	–	–	124.4	229.4	353.8
Convertible bond	–	–	175.2	–	175.2
	–	18.5	375.5	229.4	623.4
Less: Issue costs of debt to be amortised	–	(1.8)	(2.9)	(0.4)	(5.1)
	–	16.7	372.6	229.0	618.3
Derivative financial liabilities:					
– Cross currency swaps	–	–	2.5	–	2.5
– Put option liabilities	–	2.9	4.8	3.1	10.8
Deferred consideration	–	29.4	91.2	7.8	128.4
Other non-current liabilities	–	2.5	0.3	2.3	5.1
Total non-current	–	51.5	471.4	242.2	765.1
Total	**2,245.8**	**51.5**	**471.4**	**242.2**	**3,010.9**

20. Financial instruments / (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

Financial liabilities

2010	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	3.0	–	–	–	3.0
Loans	84.3	–	–	–	84.3
	87.3	–	–	–	87.3
Less: Issue costs of debt to be amortised	(1.7)	–	–	–	(1.7)
	85.6	–	–	–	85.6
Derivative financial liabilities:					
– Forward foreign exchange contracts	2.2	–	–	–	2.2
– Put option liabilities	11.2	–	–	–	11.2
	99.0	–	–	–	99.0
Deferred consideration	43.7	–	–	–	43.7
Trade payables and other financial liabilities	2,425.0	–	–	–	2,425.0
Total current	2,567.7	–	–	–	2,567.7
Non-current					
Bank loans	–	36.6	0.2	–	36.8
Loan notes	–	102.0	123.8	217.1	442.9
Convertible bond	–	–	166.9	–	166.9
	–	138.6	290.9	217.1	646.6
Less: Issue costs of debt to be amortised	–	(1.7)	(4.4)	(0.4)	(6.5)
	–	136.9	286.5	216.7	640.1
Derivative financial liabilities:					
– Cross currency swaps	–	10.5	2.9	–	13.4
– Put option liabilities	–	9.7	7.2	6.4	23.3
Deferred consideration	–	7.7	12.3	–	20.0
Other non-current liabilities	–	1.7	1.8	6.0	9.5
Total non-current	–	166.5	310.7	229.1	706.3
Total	2,567.7	166.5	310.7	229.1	3,274.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

c) Valuation of financial assets and liabilities

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	2011 Fair value £m	2011 Carrying value £m	2010 Fair value £m	2010 Carrying value £m
2005 loan notes	220.6	225.6	230.2	224.4
2007 loan notes	80.6	82.0	87.2	81.6
2009 loan notes	143.0	143.4	155.7	142.8
Total	444.2	451.0	473.1	448.8

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes held-to-maturity investments and quoted available-for-sale investments)
- The fair values of derivative instruments, other than put options over acquisition of minorities, are calculated using quoted prices and yield curves derived from these quoted prices
- The fair values of put option liabilities are calculated as the best estimate of the gross cash expected to be paid discounted to present value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. Financial instruments / (continued)

c) Valuation of financial assets and liabilities (continued)

2011	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value 2011 £m
Financial assets				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	2.3	–	**2.3**
Derivative instruments in designated hedge accounting relationships	–	20.1	–	**20.1**
Held to maturity investments	0.1	–	–	**0.1**
Available-for-sale financial assets – quoted	3.7	–	–	**3.7**
Total financial assets measured at fair value	3.8	22.4	–	**26.2**
Financial liabilities				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	(2.3)	–	**(2.3)**
– Acquisition put option derivatives	–	–	(14.4)	**(14.4)**
Derivative instruments in designated hedge accounting relationships	–	(11.4)	–	**(11.4)**
Total financial liabilities measured at fair value	–	(13.7)	(14.4)	**(28.1)**

2010	Level 1 £m	Level 2 £m	Level 3 £m	Carrying value 2010 £m
Financial assets				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	3.2	–	3.2
Derivative instruments in designated hedge accounting relationships	–	8.5	–	8.5
Held to maturity investments	0.1	–	–	0.1
Available-for-sale financial assets – quoted	13.7	–	–	13.7
Total financial assets measured at fair value	13.8	11.7	–	25.5
Financial liabilities				
Fair value through profit and loss (FVTPL)				
– Held for trading	–	(2.2)	–	(2.2)
– Acquisition put option derivatives	–	–	(34.5)	(34.5)
Derivative instruments in designated hedge accounting relationships	–	(13.4)	–	(13.4)
Total financial liabilities measured at fair value	–	(15.6)	(34.5)	(50.1)

There were no transfers between categories during 2011 or 2010.

d) Analysis of derivative financial instruments

A reconciliation of the movements in the calculated fair value of put option derivatives is provided below:

	2011 £m	2010 £m
Balance at 1 January	**(34.5)**	(31.4)
Put options issued	**(23.6)**	(3.4)
Put options settled and lapsed	**21.2**	1.5
Put options extinguished on disposal of subsidiaries	**20.6**	–
Revisions of estimated fair value recognised in the income statement	**0.9**	0.2
Exchange differences	**1.0**	(1.4)
Balance at 31 December	**(14.4)**	(34.5)

Fair value is calculated based on the discounted value of expected future payments. Subsequent changes in the fair value of the liability are recognised in the income statement.

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £0.3m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

d) Analysis of derivative financial instruments

	Current 2011 £m	Non current 2011 £m	Current 2010 £m	Non current 2010 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency swaps	(8.9)	(2.5)	–	(13.4)
Derivative liabilities carried at fair value through profit and loss				
Forward foreign currency contracts	(2.3)	–	(2.2)	–
Put option liabilities	(3.6)	(10.8)	(11.2)	(23.3)
Derivative assets that are designated and effective as hedging instruments carried at fair value				
Cross currency interest rate swaps	–	16.2	–	8.0
Interest rate swap	–	3.9	–	0.5
Derivative assets carried at fair value through profit and loss				
Forward foreign currency contracts	2.3	–	3.2	–
	(12.5)	6.8	(10.2)	(28.2)

Loans and receivables are discussed in this note and note 18, and available-for-sale financial assets are disclosed in note 17. All other financial instruments are held at amortised cost except for derivative financial instruments which are held for trading at fair value through profit and loss.

e) Analysis of hedge effectiveness

	2011 £m	2010 £m
Cash flow hedges		
Amount recognised in other comprehensive income during the period	(0.8)	4.6
Reclassified from other comprehensive income to profit or loss during the period	(0.7)	(4.2)
	(1.5)	0.4
Fair value hedges		
Fair value movement arising on derivatives in a designated fair value hedge	11.2	7.6
Adjustment to hedged items in a designated fair value hedge	(11.1)	(7.6)
	0.1	–

Ineffectiveness recognised in the income statement that arises from cash flow hedges and fair value hedges totals less than £0.1m in the current and prior year. No ineffectiveness arises from the Group's hedges of net investments in foreign operations.

20. Financial instruments / (continued)

f) Maturity analysis

The maturity profile of the anticipated future cash flows (including interest) in relation to the Group's non-derivative financial liabilities, on an undiscounted basis and which, therefore, differ from both the carrying value and fair value, is as follows:

	2011 External loans £m	2011 Other liabilities £m	2011 Total £m	2010 External loans £m	2010 Other liabilities £m	2010 Total £m
Less than 1 year	165.7	54.5	220.2	115.7	65.0	180.7
1-2 years	49.7	32.8	82.5	169.4	9.4	178.8
2-5 years	455.2	99.5	554.7	381.9	14.9	396.8
More than 5 years	242.8	11.3	254.1	255.2	6.0	261.2
	913.4	198.1	1,111.5	922.2	95.3	1,017.5
Effect of discount / financing rates	(317.8)	(10.0)	(327.8)	(342.9)	(0.9)	(343.8)
	595.6	188.1	783.7	579.3	94.4	673.7

The maturity profile of the Group's financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

	2011 Payable £m	2011 Receivable £m	2010 Payable £m	2010 Receivable £m
Less than 1 year	(390.2)	394.1	(377.4)	382.0
1-2 years	(6.1)	9.4	(7.9)	12.1
2-5 years	(16.3)	25.7	(16.6)	27.3
More than 5 years	(13.0)	21.2	(16.2)	28.7
	(425.6)	450.4	(418.1)	450.1

The maturity profile of the Group's put option liabilities, using undiscounted cash flows, is as follows:

	2011 £m	2010 £m
Less than 1 year	3.6	11.2
1-2 years	3.0	9.9
2-5 years	5.2	7.7
More than 5 years	3.6	7.5
	15.4	36.3
Effect of discount / financing rates	(1.0)	(1.8)
	14.4	34.5

The Group had the following undrawn, committed bank borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date:

	2011 £m	2010 £m
Expiring between 2 and 5 years	450.0	450.0
	450.0	450.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

20. Financial instruments / (continued)

g) Interest rate and currency profile

The following interest rate and currency profile of the Group's financial assets and liabilities is after taking into account any interest rate and cross currency swaps entered into by the Group.

Financial assets

The table below summarises current financial assets by interest type. The Group's non-current financial assets do not bear interest.

	Floating rate £m	Non-interest bearing £m	2011 Total £m	Floating rate £m	Non-interest bearing £m	2010 Total £m
GBP	209.1	0.1	209.2	45.8	0.2	46.0
USD	66.2	4.0	70.2	44.2	9.7	53.9
EUR	153.5	2.8	156.3	63.3	3.5	66.8
Other currencies	172.4	18.0	190.4	199.7	28.0	227.7
	601.2	24.9	626.1	353.0	41.4	394.4
Trade receivables and other financial assets			1,912.8			2,170.3
Derivative financial assets			22.4			11.7
Available-for-sale financial assets			4.8			15.6
Held to maturity investments			0.1			0.1
			2,566.2			2,592.1

The majority of cash is invested in short term fixed rate deposits of less than one month with the balance in interest bearing current accounts. It is management's view that the short term nature of these deposits means they effectively act as floating rate assets.

The floating rate financial assets above are represented by cash at bank and in hand and short-term deposits.

Financial liabilities

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2011 Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	2010 Total £m
GBP	260.2	94.1	1.0	355.3	192.5	130.8	–	323.3
USD	177.3	36.0	6.8	220.1	176.4	32.1	7.8	216.3
EUR	123.8	6.1	–	129.9	123.1	0.3	–	123.4
Other currencies	19.8	36.5	–	56.3	23.7	47.0	0.2	70.9
Gross borrowings	581.1	172.7	7.8	761.6	515.7	210.2	8.0	733.9
Issue costs of debt	(3.3)	(3.8)	–	(7.1)	(3.4)	–	(4.8)	(8.2)
	577.8	168.9	7.8	754.5	512.3	210.2	3.2	725.7
Trade payables and other financial liabilities				2,228.3				2,498.2
Derivative financial liabilities				28.1				50.1
				3,010.9				3,274.0

The weighted average interest rates paid were as follows:

	2011 %	2010 %
Bank overdrafts	4.7	3.9
Bank loans	6.1	6.3
Loan notes	4.0	3.7

The Group's borrowings, excluding the US$342m of unsecured loan notes issued in 2005, US$125m of unsecured loan notes issued in 2007 and US$183m and £25m of the unsecured loan notes issued in 2009 incur interest at floating rates.

At 31 December 2011, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would increase the Group's reported profit by approximately £0.6m (2010: £0.3m increase).

20. Financial instruments / (continued)

h) Sensitivity analysis

The following table details the Group's sensitivity to a 1% increase in Sterling against the significant foreign currencies of the Group. The sensitivity analysis was performed taking outstanding foreign currency denominated monetary items and adjusting their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans. For a 1% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Euro currency impact		US dollar currency impact	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Potential profit (decrease)/increase	**(0.3)**	(0.1)	**1.6**	1.8
Other equity	**1.4**	1.4	**1.0**	1.0

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as certain financial instruments are used to hedge exposures on retranslation of the Group's operations denominated in currencies other than Sterling, which are outside the scope of IFRS7. This sensitivity analysis excludes the foreign currency translation risk of the foreign operations, and had this been included the sensitivities would have been disclosed as follows:

	Euro currency impact		US dollar currency impact	
Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Potential profit (decrease)/increase	**0.1**	(0.1)	**(0.1)**	(0.1)
Other equity	**–**	–	**–**	–

21. Deferred tax /

	Recognition of financial liabilities £m	Purchased intangibles £m	Deductions in respect of goodwill £m	Losses £m	Other short term temporary differences £m	Total £m
At 1 January 2010 – asset/(liability)	**3.4**	**(17.0)**	**(14.3)**	**5.3**	**12.3**	**(10.3)**
Deferred tax on intangibles	–	(15.2)	–	–	–	(15.2)
Deferred tax on acquisitions	–	–	–	–	3.5	3.5
Amounts credited/(charged) to equity	–	–	–	–	(0.1)	(0.1)
Amounts credited/(charged) to the income statement	(3.2)	6.9	(4.2)	23.1	2.3	24.9
Exchange rate differences	–	(1.1)	–	–	3.4	2.3
At 1 January 2011 – asset/(liability)	**0.2**	**(26.4)**	**(18.5)**	**28.4**	**21.4**	**5.1**
Deferred tax on intangibles	–	(21.2)	–	–	–	(21.2)
Deferred tax on acquisitions	–	–	–	–	0.2	0.2
Amounts credited/(charged) to equity	–	–	–	–	0.4	0.4
Deferred tax on discontinued operations	–	4.1	3.2	(3.5)	(1.9)	1.9
Amounts credited/(charged) to the income statement	0.4	11.0	(4.6)	5.5	7.1	19.4
Transfers	–	–	–	1.7	(1.7)	–
Exchange rate differences	–	0.7	–	0.2	(1.2)	(0.3)
At 31 December 2011 – asset/(liability)	**0.6**	**(31.8)**	**(19.9)**	**32.3**	**24.3**	**5.5**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset).

	2011 £m	2010 £m
Deferred tax liability	**(50.8)**	(44.2)
Deferred tax asset	**56.3**	49.3
	5.5	5.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

21. Deferred tax / (continued)

The Group has the following temporary differences in respect of which no deferred tax asset has been recognised.

	2011 £m	2010 £m
Losses – revenue	**83.6**	67.5
Losses – capital	**185.5**	100.2
Other temporary differences	**35.0**	6.5
	304.1	174.2

The tax losses and other temporary differences have no expiry date, except for capital losses of £90.6m which have a tax expiry date of 5 years. The total amount of tax losses and other temporary differences for which no deferred tax was recognised at 31 December 2010 was £174.2m.

Balances in the subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances in associates and joint ventures are not included.

No deferred tax liability is recognised on temporary differences of £120.2m (2010: £161.5m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2011 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

22. Provisions /

	2011 £m
At 1 January 2011	**8.0**
Additional provision in the year	**2.0**
Utilisation	**(4.8)**
Disposal of subsidiaries	**(0.2)**
Released	**(0.4)**
At 31 December 2011	**4.6**

The Group's vacant leasehold properties are principally located in the UK. Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2011 is approximately 1.0 year (2010: 1.6 years).

Contingent liabilities

The Group and its subsidiaries are subject to legal challenges and claims from time to time, and such claims are vigorously defended. The Directors do not anticipate that the outcome of pending legal proceedings, either individually or in aggregate, will have a material adverse effect on the consolidated accounts or on the operations of the Group.

23. Share capital /

	2011 Number of ordinary shares	2011 £m	2010 Number of ordinary shares	2010 £m
Authorised:				
Ordinary shares	**1,500,000,000**	**75.0**	1,500,000,000	75.0
Issued, allotted, called up and fully paid:				
At 1 January	**1,285,146,066**	**64.3**	1,161,268,910	58.1
Issue of shares by the Company	**2,927,460**	**0.1**	123,877,156	6.2
Share consolidation	**(117,087,928)**	**–**	–	–
At 31 December	**1,170,985,598**	**64.4**	1,285,146,066	64.3

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

On 24 October 2011 the Group undertook a 10 for 11 consolidation of ordinary shares in conjunction with the special dividend (note 11). This resulted in a reduction in the number of ordinary shares of 117,087,928, and a change in the nominal value of each ordinary share to 5.5p from 5p.

24. Own shares /

At 31 December 2011, the Aegis Group Employee Share Trust (the "Trust") held 23,333,438 Ordinary Shares in the Company (31 December 2010: 28,442,769) with a nominal value of £1.3m (31 December 2010: £1.4m) and a market value of £33.7m (31 December 2010: £40.0m).

The own shares reserve represents the cost of shares in Aegis Group plc acquired in the open market by the Trust using funds provided by Aegis Group plc. The Trust has an ongoing arrangement with the Group to waive all dividends. The Trust has purchased the shares to satisfy future share awards under the Group's share-based payment schemes.

25. Share premium account /

	2011 £m	2010 £m
At 1 January	**395.8**	245.5
Issue of shares by the Company	**2.9**	150.3
At 31 December	**398.7**	395.8

26. Acquisition of subsidiaries /

During the period, the Group acquired subsidiaries as detailed below:

Company	Country of incorporation	% Acquired (Total Group holding)	% Non-controlling interests recognised	Month of acquisition
Aegis Media				
Clickthinking	South Africa	100%	–	January
Riber	USA	100%	–	March
ICUC	Canada	100%	–	June
CMS	Lithuania	100%	–	June
Filefix (isobar Japan)	Japan	51%	49%	July
Mediavest	UK	100%	–	July
Pjure	Austria	100%	–	August
Kobalt	Netherlands	100%	–	October
Master Ad	Russia	100%	–	October
Ad O'Clock	Russia	100%	–	November
Aztec				
Dubblera	Sweden	100%	–	October
Smicker	Sweden	75%	25%	October
Synovate				
Comcon	Russia	47% (51%)	49%	March

In January 2011, the Group acquired the entire share capital of Clickthinking, an award-winning digital search and performance agency incorporated in South Africa, thereby obtaining control of Clickthinking. The acquisition was entered into as a platform for Aegis Media's iProspect brand in South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

26. Acquisition of subsidiaries / (continued)

In March 2011, the Group received clearance from Russian competition authorities, allowing the acquisition of a further 47% of Comcon, Russia's leading independent market research agency. This transaction increased the total Group holding in Comcon to 51%, leading to Group control of Comcon. The acquisition was undertaken to increase the scale of Synovate's presence in Russia and was subsequently included in the Synovate business sold by the Group (see note 10).

Also in March 2011, the Group acquired the trade and assets of Riber, a sports marketing company incorporated in the USA. Riber has joined the Team Epic brand within Aegis Media, where it will deepen their capabilities in the retail and shopper marketing disciplines.

In June 2011, the Group acquired the entire share capital of ICUC in Canada and Creative Media Services ("CMS") in Lithuania, thereby achieving control of these entities. ICUC is a social media monitoring and community development business which now operates under the iProspect brand. CMS is a classical media agency, servicing clients in all areas of media planning, buying and research, which joins the Vizeum network within Aegis Media, where it completes the Vizeum network across the Baltic region.

In July 2011, the Group acquired 51% of the share capital of Filefix Co Ltd ("Filefix"), a full service digital agency in Japan, which joins the Isobar network. Also in July 2011, the Group acquired 75% of the share capital of Mediavest, a leading, independent media communications agency with expertise in media planning and buying and enhanced capability in performance marketing and digital solutions, based in the UK. The acquisition is operating under the Carat and iProspect brands. The remaining 25% of the share capital of MediaVest is subject to a put and call option arrangement exercisable from 2016, however, the structure of the acquisition leads this to be treated as a deferred consideration liability, without the recognition of non-controlling interests.

In August 2011, the Group acquired the entire share capital of Pjure, an Austrian-based digital creative agency, which joins the Isobar network.

In October 2011, the Group acquired the entire share capital of the holding company of Master Ad, a full-service out-of-home agency based in Moscow, Russia, and also acquired the assets and contracts of the Dutch media agency, Kobalt. Master Ad joins the Posterscope network, taking the brand to market leading scale in Russia, and Kobalt complements the traditional media businesses of Aegis Media in the Netherlands.

During October 2011, the Group also acquired the entire share capital of Dubblera and 75% of Smicker, which joins the Group's Aztec network in Sweden.

In November 2011, the Group acquired the entire share capital of Ad O'Clock, a Russian full-service media agency based in Moscow. The acquisition continues to increase the Group's scale in fast-growing economies, and will complement Aegis Media's traditional media businesses in Russia.

During the period, the Group also acquired additional stakes in existing subsidiaries as detailed below:

Company	Country of incorporation	% Acquired (Total Group holding)	Month of acquisition
Aegis Media			
Age	Brazil	1.9% (96.2%)	May
AgenciaClick	Brazil	1.9% (96.2%)	May
iProspect Brazil	Brazil	1.5% (97.1%)	May
Implicom	France	5% (100%)	May
Blitz Media	Thailand	24% (100%)	August
Aposition	France	10% (100%)	October
Marvellous Ideas Ltd	France	10% (100%)	October
Bloecher and Partners	Germany	49% (100%)	November
Heartland	China	30% (100%)	December
Aztec			
SalesOut	UK	49% (100%)	December

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Group revenues for continuing operations 2011 would have been £1,163.0m and Group profit before interest and tax from continuing operations would have been £164.2m. Post acquisition revenue and profit before interest and tax on 2011 acquisitions was £25.0m and £4.1m respectively.

Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. Of the goodwill capitalised in the period, £8.9m is deductible for income tax purposes. All non-controlling interests are measured at the non-controlling interest share of the carrying value of net assets.

Consideration paid, excluding acquisition costs, totalled £66.8m with estimated deferred consideration of £147.0m payable between 2012-2017, subject to performance criteria. In those cases where the Group achieved control of subsidiaries for the first time, the acquisitions are not individually material to the Group and therefore the following disclosures are provided in aggregate.

26. Acquisition of subsidiaries / (continued)

A provisional summary of the net assets acquired and goodwill arising in respect of all acquisitions made in the year is given below:

Provisional assessment of net assets acquired:	Carrying amount acquired £m	Fair value adjustments £m	Fair value of net assets £m
Intangible assets	0.5	88.5	89.0
Property, plant and equipment	1.1	–	1.1
Deferred tax assets	0.2	–	0.2
Investments in associates and joint ventures	0.3	–	0.3
Trade and other receivables	67.7	–	67.7
Work in progress	0.3	–	0.3
Cash and cash equivalents	19.3	–	19.3
Trade and other payables	(80.0)	–	(80.0)
Other liabilities	(3.6)	–	(3.6)
Current tax liabilities	(0.8)	–	(0.8)
Deferred tax liabilities	–	(21.2)	(21.2)
Net assets	**5.0**	**67.3**	**72.3**
Non-controlling interest on current period acquisitions			(4.5)
			67.8
Goodwill capitalised in the period			146.7
Consideration			**214.5**

Satisfied by:	
Cash consideration	66.8
Deferred cash consideration	147.0
Acquisition-date fair value of the previously held equity interest in the acquiree	0.7
	214.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

27. Other non-current liabilities /

	2011 £m	2010 £m
Deferred consideration	128.4	20.0
Pensions (see note 32)	6.3	6.1
Other	5.1	9.5
At 31 December	139.8	35.6

Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (note 19), may be paid to the vendors of certain subsidiary undertakings in the years to 2017. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance. Deferred consideration arising on acquisitions completed prior to 1 January 2010 is presented at the Directors' best estimate of the total payable. Changes in such estimates in the current period have led to an increase in the liability of £4.9m. Following the adoption of IFRS 3 (revised), deferred consideration arising on acquisitions completed from 1 January 2010 is recorded at fair value on acquisition, with subsequent changes reflected in the income statement.

Deferred consideration is discounted at the Group's weighted average cost of borrowing. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the discounted liability at the balance sheet date for payments that may be due is as follows:

	2011 £m	2010 £m
Within one year	53.9	43.7
Between one and two years	29.4	7.7
Between two and five years	91.2	12.3
Greater than five years	7.8	–
At 31 December	182.3	63.7

The minimum potential liability is £21.4m and the maximum potential liability is £291.4m.

Liabilities in respect of put options granted to non-controlling interests are disclosed as derivative liabilities. Their expected maturities and a reconciliation of movements in the year are given in note 20.

28. Contingent Asset /

As reported in prior years, during 2006 the Group became aware of a fraud perpetrated against Aegis Media Germany. The Group has successfully recovered a portion of the monies expected to be due. Further recoveries are anticipated in future years but the value to be received is not sufficiently certain to be recognised as an asset.

29. Notes to the cash flow statement /

	2011 £m	2010 £m
Operating profit from continuing operations	**145.8**	65.9
Operating (loss) / profit from discontinued operations	**(0.5)**	35.6
Total Group operating profit	**145.3**	101.5
Adjustments for:		
Depreciation of property, plant and equipment	**23.5**	22.7
Amortisation of intangible assets	**47.3**	35.1
Impairment of intangibles and property, plant and equipment	**–**	0.3
Loss on disposal of subsidiaries	**10.8**	13.9
Net loss on disposal of intangibles and property, plant and equipment	**0.2**	0.5
Share-based payment expense	**9.0**	8.3
Decrease in provisions	**(3.4)**	(5.0)
	232.7	177.3
Increase in receivables	**(89.7)**	(248.1)
Increase in work in progress	**(5.9)**	(2.3)
Increase in payables	**70.9**	305.6
	(24.7)	55.2
Cash generated from operations	**208.0**	232.5

The loss on disposal of subsidiaries as shown above excludes the gain on disposal relating to the discontinued operations of Synovate in 2011, as this is also excluded from Total Group operating profit.

Analysis of net debt

	1 January 2011 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	31 December 2011 £m
Cash and short-term deposits	394.4	244.0	–	(12.3)	**626.1**
Overdrafts	(3.0)	(6.1)	–	0.2	**(8.9)**
Cash and cash equivalents	391.4	237.9	–	(12.1)	**617.2**
Debt due within one year	(84.3)	(44.5)	3.4	(3.9)	**(129.3)**
Debt due after more than one year	(646.6)	43.3	(21.4)	1.3	**(623.4)**
Net debt before issue costs of debt	(339.5)	236.7	(18.0)	(14.7)	**(135.5)**
Issue costs of debt	8.2	1.1	(2.2)	–	**7.1**
Total	(331.3)	237.8	(20.2)	(14.7)	**(128.4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

30. Operating lease arrangements /

	2011 £m Land and buildings	2011 £m Other	2011 £m Total	2010 £m Land and buildings	2010 £m Other	2010 £m Total
Lease payments under operating leases recognised in operating expenses from continuing operations	49.3	2.1	51.4	38.8	3.0	41.8

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Gross lease commitments payable	2011 £m Land and buildings	2011 £m Other	2011 £m Total	2010 £m Land and buildings	2010 £m Other	2010 £m Total
Within one year	48.1	4.0	52.1	46.6	2.9	49.5
In the second to fifth years inclusive	122.3	3.0	125.3	111.8	4.4	116.2
After five years	93.9	–	93.9	58.4	–	58.4
	264.3	7.0	271.3	216.8	7.3	224.1

Committed sublease income	2011 £m Land and buildings	2011 £m Other	2011 £m Total	2010 £m Land and buildings	2010 £m Other	2010 £m Total
Within one year	(0.1)	–	(0.1)	(0.5)	–	(0.5)
In the second to fifth years inclusive	(0.2)	–	(0.2)	(1.1)	–	(1.1)
	(0.3)	–	(0.3)	(1.6)	–	(1.6)

Net minimum lease commitments	2011 £m Land and buildings	2011 £m Other	2011 £m Total	2010 £m Land and buildings	2010 £m Other	2010 £m Total
Within one year	48.0	4.0	52.0	46.1	2.9	49.0
In the second to fifth years inclusive	122.1	3.0	125.1	110.7	4.4	115.1
After five years	93.9	–	93.9	58.4	–	58.4
	264.0	7.0	271.0	215.2	7.3	222.5

Operating lease payments principally represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3.8 years and rentals are fixed for an average of 3 years.

31. Share-based payments /

The Group recognised a total expense of £11.0m (2010: £8.3m) in respect of all share-based payments in the year, of which £6.9m relates to continuing operations. Share-based payments include share options and conditional share awards.

Share options

The Group issues conditional share options to certain employees. The grant price for share options is equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is typically three years. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited if the employee leaves the Group before the options vest, unless otherwise approved by the Remuneration Committee at their discretion, and are subject to EPS performance conditions. Further details are provided in the Remuneration Report, on page 56.

	2011 Options (millions)	2011 Weighted average exercise price (£)	2010 Options (millions)	2010 Weighted average exercise price (£)
Outstanding at beginning of period	8.1	1.12	22.2	1.17
Forfeited during the period	(0.1)	1.13	(2.9)	1.31
Exercised during the period	(2.9)	1.06	(7.2)	1.00
Expired during the period	–	–	(4.0)	1.45
Outstanding at end of period	5.1	1.15	8.1	1.12
Exercisable at end of period	5.1	1.15	8.1	1.12

The weighted average share price at the date of exercise for share options exercised during the period was £1.06 (2010: £1.00). The options outstanding at 31 December 2011 had a range of exercise prices between £0.78 (2010: £0.78) and £1.48 (2010: £1.48), and a weighted average remaining contractual life of 3.4 years (2010: 3.3 years). No options were granted in 2011. The Group did not recognise any expense (2010: £Nil) in respect of share options in the year.

Conditional share awards

The Group issues conditional share awards to certain employees. The vesting period is typically three years. The extent to which awards vest is determined in documented scheme rules and may be based on the employees' continuing employment, the Company's TSR performance relative to a group of similar businesses and the Company's EPS growth. Further details are provided in the Remuneration Report.

The fair value of conditional share awards was determined using a stochastic model using the assumptions given in the table below.

	2011	2010
Weighted average share price (£)	1.37	1.19
Expected volatility	38.0%	41.0%
Risk free rate	2.0%	1.5%
Expected dividend yield	1.8%	2.2%

During 2011, 8.0m conditional share awards were granted (2010: 16.0m), with a weighted average fair value per share of £1.19 (2010: £1.02) at the relevant measurement date.

The Group recognised a total expense of £11.0m (2010: £8.3m) in respect of conditional share awards in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

32. Retirement benefit schemes /

Defined contribution schemes

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the profit and loss account of £12.5m (2010: £6.7m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans. As at 31 December 2011, contributions of £1.7m (2010: £3.0m) due in respect of the current reporting period had not been paid over to the schemes.

Other retirement benefit schemes

The Group operates a small number of retirement benefit schemes that do not fall under the definition of defined contribution schemes, principally where required by local statutory regulations. The principal schemes are located in Germany, Italy, France and Norway. Under these schemes, the Group's liabilities in respect of past service are fixed as a percentage of past salaries, but the schemes do not meet the definition of defined contribution schemes because contributions have not been paid to a separate entity. These schemes are not considered by management to represent standard defined benefit schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes. The numbers below are in respect of all material Group defined benefit schemes, unless otherwise stated.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2011. The present value of the defined benefit obligation, the related service cost and the past service cost were measured using the projected unit credit method.

The principal defined benefit schemes in Germany and Norway are funded. The assets of these schemes are held separately from those of the Group in independently administered funds, in accordance with scheme rules and statutory requirements. The unfunded defined benefit schemes are principally in Italy and France.

The table below shows the amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes and the expected rates of return (net of administrative expenses) on the assets in the scheme.

	2011 £m	2010 £m
Fair value of pension scheme assets	4.2	4.2
Present value of defined benefit obligations	(10.0)	(11.5)
Deficit in scheme	(5.8)	(7.3)
Related deferred tax asset	1.2	1.2
Net pension liability net of deferred tax asset	(4.6)	(6.1)

The deficit in scheme includes current net defined benefit obligations of £0.1m, non-current net defined benefit obligations of £6.3m and net scheme assets of £0.6m. The plan assets do not include any of the Group's own financial assets, nor any property occupied by, or other assets used by, the Group.

33. Related party transactions /

Remuneration of key management personnel

The following is the compensation of Directors and key management. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 56 to 63.

	2011 £m	2010 £m
Short-term employee benefits	**3.4**	2.9
Post-employment benefits	**0.4**	0.4
Termination benefits	**1.2**	–
Share-based payment	**2.2**	0.7
	7.2	4.0

Transactions with associated undertakings

In 2011, Group subsidiary companies purchased media space from associated undertakings totalling £22.6m (2010: £29.7m). The balance due from Group companies to associated undertakings at the end of 2011 was £7.0m (2010: £13.4m). The balance due from associated undertakings to Group companies at the end of 2011 was £1.1m (2010: £6.8m).

Other related party disclosures

Harold Mitchell, a director of the Company, holds 42,412,152 Aegis Group plc shares and unless otherwise agreed with the Company will retain at least 85% of those shares for 2 years from 17 November 2010. His son, Stuart Mitchell, is a director and employee of Aegis Media Pacific, part of the Mitchell Communication Group, which was acquired by Aegis Group plc in 2010. Aegis Media Pacific Management Services Pty Limited leases premises from Mitchell Land Pty Ltd, of which Harold Mitchell is a director, under a 10-year lease expiring in 2020 and from a company controlled by another member of his family under a monthly tenancy, for a combined annual rental charge of £1.4m.

Harold is a director of Mitchell Air Pty Ltd, which owns a jet aircraft and on-charges Aegis Media Australia at arm's length rates the cost of travel by employees using the jet for business purposes. Mitchell Air Pty Ltd is the trustee of the Mitchell Air Trust, to whom Harold Mitchell is a nominated beneficiary.

34. Subsequent events /

Acquisitions completed after the balance sheet date

In January 2012, the Group acquired a minority share in The Upper Storey Pte Ltd ("TUS"), an award-winning digital creative agency based in Singapore. TUS will become part of Isobar in Asia Pacific and will be rebranded as TUS Isobar.

In February 2012, the Group announced an agreement to acquire the holding company of Roundarch Inc. ("Roundarch"), the US digital agency, for an initial consideration of US$125 million. Roundarch is a leading digital agency which specialises in designing and building enterprise-class digital solutions for clients. The acquisition of Roundarch is in line with Aegis Group's strategy to target acquisitions with a specific focus on digital businesses, North America and faster-growing regions. With offices in Chicago, Denver, Boston and New York, Roundarch employs 250 staff and its service offerings include strategy, design, development and outsourcing across all digital channels, including web, mobile and social media.

Following the acquisition, Roundarch will be combined with Isobar, Aegis Media's existing digital creative network in the US, to form RoundarchIsobar. RoundarchIsobar will be a top tier digital agency with the depth and resources to consolidate Aegis's competitive position in the US.

In March 2012, the Group entered into an agreement to acquire Beijing eLink Advertising Co., Ltd ("eLink"), a digital agency in China. The transaction is subject to regulatory procedures and customary closing conditions and is expected to close in the second quarter of 2012. eLink will become part of the Isobar network in China, strengthening Isobar in Beijing and ensuring a leading position in China.

In March 2012, the Group acquired the Hungarian Out-of-Home agency PPI Central Europe Ltd ("PPI"). PPI will be rebranded to become part of the Posterscope EMEA division of Posterscope Worldwide.

The additional IFRS3 (2008) disclosures are not given because the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue.

FIVE-YEAR SUMMARY

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Income statement					
Revenue	**1,135.0**	941.0	873.0	856.4	697.7
Underlying profit before interest and tax	**201.4**	155.1	136.2	142.1	119.1
Underlying profit before tax	**161.8**	122.3	116.9	131.1	110.5
Profit before tax	**106.4**	33.5	82.3	94.5	110.0
Profit attributable to equity holders of the parent	**79.6**	18.2	56.4	61.3	73.3
Balance sheet					
Non-current assets	**1,396.0**	1,628.1	1,200.7	1,345.7	938.7
Net current (liabilities)/assets	**(111.0)**	(198.4)	(6.5)	(5.4)	35.6
Non-current liabilities	**(822.3)**	(761.3)	(749.7)	(880.5)	(668.0)
Net assets	**462.7**	668.4	444.5	459.8	306.3
Financed by:					
Equity	**457.1**	654.9	431.9	442.5	299.8
Non-controlling interests	**5.6**	13.5	12.6	17.3	6.5
	462.7	668.4	444.5	459.8	306.3
	Pence	Pence	Pence	Pence	Pence
Earnings per share					
– Basic	**6.5**	1.6	5.0	5.4	6.6
– Diluted	**6.5**	1.6	5.0	5.4	6.5
Underlying earnings per share					
– Basic	**10.3**	7.8	7.4	8.0	6.8
– Diluted	**10.1**	7.8	7.4	8.0	6.7
Dividend rate per share	**20.28**	2.75	2.50	2.50	2.30

The amounts disclosed for all years have been prepared under IFRS.

Underlying profit before tax and earnings per share are restated on a continuing group basis for prior years as discussed in note 2.

INDEPENDENT AUDITOR'S REPORT

To the members of Aegis Group plc

We have audited the financial statements of Aegis Group plc for the year ended 31 December 2011 which comprise the Parent Company Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The maintenance and integrity of the Aegis Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Respective responsibilities of directors and auditor /

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements /

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements /

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006 /

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception /

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter /

We have reported separately on the group financial statements of Aegis Group plc for the year ended 31 December 2011.

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 March 2012

COMPANY BALANCE SHEET

At 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	4	**10.6**	2.9
Investments	5	**1,714.1**	1,518.6
Derivative financial assets	10	**20.1**	8.5
		1,744.8	1,530.0
Current assets			
Debtors			
– due within one year	6	**235.8**	219.2
– due after more than one year	7	**3.5**	225.5
Derivative financial assets	10	**0.5**	–
Cash at bank and in hand		**128.1**	6.2
		367.9	450.9
Creditors: Amounts falling due within one year	8	**(853.8)**	(715.5)
Derivative financial liabilities	10	**(8.9)**	(2.1)
Net current liabilities		**(494.8)**	(266.7)
Total assets less current liabilities		**1,250.0**	1,263.3
Creditors: Amounts falling due after more than one year	9	**(351.4)**	(440.2)
Derivative financial liabilities	10	**(2.5)**	(13.4)
Net assets		**896.1**	809.7
Called up share capital	11	**64.4**	64.3
Share premium account	12	**398.7**	395.8
Capital redemption reserve	12	**0.2**	0.2
Other reserve	12	**19.2**	19.2
Merger reserve	12	**13.0**	13.0
ESOP reserve	12	**(31.2)**	(33.7)
Capital reserve	12	**301.4**	301.4
Profit and loss account	13	**130.4**	49.5
Equity shareholders' funds		**896.1**	809.7

Company number 1403668 England and Wales

These financial statements were approved by the Board of Directors on 14 March 2012 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Basis of preparation and accounting policies /

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The Directors' Report, Corporate Governance and Directors' Remuneration Report disclosures have been made in the Group section of this annual report, refer to pages 46 to 63.

The Company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. The Group's cash flow statement has been presented in the Group financial statements.

In accordance with FRS 8 Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other wholly owned Group Companies and where the Group accounts contain these disclosures.

As the parent company of a group drawing up consolidated financial statements that meet the requirements of IFRS 7, it is exempt from disclosures that comply with its UK GAAP equivalent, FRS 29 Financial Instruments Disclosures.

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Employee benefits

The retirement benefits for employees are provided by defined contribution schemes which are funded by contributions from the Company and employees. The amount charged to profit and loss is the contribution payable in the year.

Share-based payments

The Company applies the requirements of FRS 20 Share-based payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted. The fair value is determined by an external valuer using a stochastic model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF 44 requires the subsidiary to record an expense for such compensation in accordance with FRS 20 Share-based payment, with a corresponding increase recognised in equity as a contribution from the parent.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign exchange

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities at the year end are re-translated at the exchange rate ruling at the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

1. Basis of preparation and accounting policies / (continued)

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided to write off the cost of all fixed assets to their residual value over their expected useful lives using the straight-line method. It is calculated on the historic cost of the assets at the following rates:

Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum
Software	20% to 50% per annum
Other	10% to 50% per annum

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiaries, associates and joint ventures, are held in the Company balance sheet at cost less any provisions for impairment.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to profit and loss as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Company's financial statements.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

2. Profit for the year /

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Aegis Group plc reported a profit, before the payment of dividends, for the financial year ended 31 December 2011 of £312.9m (2010: £24.0 m).

The profit for the year of £312.9m includes dividends received of £258.9m (2010: £77.6m) from group companies.

The auditor's remuneration for audit services to the Company amounted to £0.2m (2010: £0.3m) and for non-audit services amounted to £0.5m (2010: £0.6m).

Details of executive and non-executive directors' emoluments and their interest in shares and options of the Company are shown within the Remuneration Report on pages 56 to 63.

3. Staff costs /

The monthly average number of persons employed by the Company (excluding directors) during the year was 45 (2010: 38).

Their aggregate remuneration comprised:

	2011 £m	2010 £m
Wages, salaries, bonus and benefits	**5.0**	4.6
Social security costs	**0.5**	0.4
Pension costs	**0.4**	0.3
Staff Costs	**5.9**	5.3

Staff costs include a share-based payment expense of £1.3m (2010: £1.0m).

Directors' remuneration is disclosed in the front section of this report, refer to Remuneration Report on pages 56 to 63.

4. Tangible assets /

	Long leasehold and leasehold improvements £m	Equipment, fixtures and fittings £m	Computer software £m	Other £m	Total £m
Cost					
At 1 January	1.6	2.3	0.8	1.6	6.3
Additions	8.7	–	0.2	0.2	9.1
At 31 December	**10.3**	**2.3**	**1.0**	**1.8**	**15.4**
Accumulated depreciation					
At 1 January	0.6	2.1	–	0.7	3.4
Charge for the year	0.8	0.2	0.2	0.2	1.4
At 31 December	**1.4**	**2.3**	**0.2**	**0.9**	**4.8**
Carrying amount					
At 31 December 2011	**8.9**	**–**	**0.8**	**0.9**	**10.6**
At 31 December 2010	1.0	0.2	0.8	0.9	2.9

Additions to leasehold improvements relate primarily to the UK office re-location.

The net book value of other tangible assets includes trademarks of £1.0m (2010: £0.9m).

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

5. Investments /

	Interests in associates £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 January	0.2	1,708.5	1,708.7
Additions	–	220.9	220.9
Disposals	–	(43.1)	(43.1)
At 31 December	**0.2**	**1,886.3**	**1,886.5**
Accumulated impairment losses			
At 1 January	–	190.1	190.1
Disposals	–	(17.7)	(17.7)
At 31 December	**–**	**172.4**	**172.4**
Carrying amount			
At 31 December 2011	**0.2**	**1,713.9**	**1,714.1**
At 31 December 2010	0.2	1,518.4	1,518.6

A listing of principal subsidiary and associated undertakings is included in note 16.

Additions to investments principally relate to the recapitalisation of Aegis Finance (Guernsey) Ltd, a direct subsidiary of the Company.

On 12 October 2011, the Group completed its disposal of the Synovate division to Ipsos S.A. As part of this transaction, Aegis Group plc (Company) disposed of two subsidiaries: Synovate (Holdings) Ltd and Synovate Healthcare Ltd, for consideration of £127.5m, realising a gain on disposal of £102.5m (excluding transaction costs).

The Company's associated undertaking is:

	Nature of Operation	Country of Incorporation	Effective interest in ordinary share capital
Carat Philippines Inc	Media Communications	Philippines	30%

6. Debtors due within one year /

	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	**233.4**	217.3
Other debtors	**0.9**	0.9
Prepayments and accrued income	**1.5**	1.0
	235.8	219.2

Amounts owed by subsidiary undertakings are on-demand and interest-bearing.

7. Debtors due after more than one year /

	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	**–**	222.0
Deferred tax asset	**3.5**	3.5
	3.5	225.5

Amounts owed by subsidiary undertakings are interest-bearing.

8. Creditors: amounts falling due within one year /

	2011 £m	2010 £m
Loans	109.4	6.8
Less issue costs of debt to be amortised	(1.2)	(1.0)
	108.2	5.8
Trade creditors	1.6	2.2
Amounts owed to subsidiary undertakings	726.3	698.3
Other creditors	–	1.1
Provision for liabilities	0.3	0.5
Accruals and deferred income	17.4	7.6
	853.8	715.5

Amounts owed to subsidiary undertakings are on-demand and interest-bearing.

The provision for liabilities is the Company's vacant leasehold properties which are located in the UK. Provision has been made for the residual lease commitments for the remaining period of the leases split as current £0.3 m (2010: £0.5m) and non-current £0.8m (2010: £1.0m).

9. Creditors: amounts falling due after more than one year /

	2011 £m	2010 £m
Borrowings	353.7	442.9
Less issue costs of debt to be amortised	(3.1)	(3.7)
	350.6	439.2
Provision for liabilities	0.8	1.0
	351.4	440.2

Private Placement Debt – July 2005

On 28 July 2005, the Company issued US$342m of unsecured loan notes, repayable between 2012 and 2017. On 9 November 2005 cross currency swaps were entered into for US$142m of the loan notes due in 2012 and US$50m of the loan notes due in 2015 to convert this US$ fixed rate borrowing into EUR fixed rate borrowing. These loan notes are guaranteed by the Company and certain of its subsidiaries.

Private Placement Debt – September 2007

On 17 September 2007, the Company issued US$125m of unsecured loan notes, repayable between 2014 and 2017. These loan notes are guaranteed by the Company and certain of its subsidiaries.

Private Placement Debt – December 2009

On 17 December 2009, the Company issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. These loans are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due 2017 and US$115m of the loan notes due 2019 to convert the US$ fixed rate borrowing to GBP floating rate borrowing.

Multi-currency credit facility – July 2010

In July 2010, the Company re-financed the five year £450m multi-currency credit facility with a group of international financial banks, which was originally entered into in June 2006. The facility is of a committed revolving nature with drawings allowable under a variety of currencies. The facility is guaranteed by the Company and certain of its subsidiaries.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

9. Creditors: amounts falling due after more than one year / (continued)

Loans repayable, included within creditors, are analysed as follows:

	2011 £m	2010 £m
Repayable within one year	109.4	6.8
Repayable between one and two years	–	102.0
Repayable between two and five years	124.4	123.8
Repayable after more than five years	229.3	217.1
Issue cost of debt	(4.3)	(4.7)
	458.8	445.0
Details of gross borrowings not wholly repayable within five years as follows:		
5.65% fixed rate 2005 $65m private placement debt repayable 28 July 2017	41.9	41.7
6.29% fixed rate 2007 $50m private placement debt repayable 17 September 2017	32.2	32.1
6.39% fixed rate 2009 £25m private placement debt repayable 17 December 2017	25.0	25.0
6.07% fixed rate 2009 $18m private placement debt repayable 17 December 2017	11.6	11.5
6.50% fixed rate 2009 $165m private placement debt repayable 17 December 2019	106.4	105.8
	217.1	216.1

10. Derivative financial instruments /

	2011 £m	2010 £m
Current		
Derivative financial assets	0.5	–
Derivative financial liabilities	(8.9)	(2.1)
Non-current		
Derivative financial assets	20.1	8.5
Derivative financial liabilities	(2.5)	(13.4)

The derivative financial assets and liabilities represent the fair value of the external and intra-group foreign exchange contracts, cross currency swaps, interest rate swap and cross currency interest rate swaps which are accounted for as fair value through profit and loss.

Cross currency swaps

The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swaps are synthetically split to reflect the Company's functional currency of Sterling. The US$/Sterling legs of the swaps are designated and effective as cash flow hedges against the Company's US$ loan notes. The Euro/Sterling legs of the swaps have been designated as fair value through profit and loss.

Interest rate swap

The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised movements which the Company expects to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan note. The interest rate swap is designated and effective as fair value hedge against changes in the fair value of the debt caused by changes in interest rates/risk. Movement in the fair value of the interest rate swap is taken to profit and loss where it offsets against similar but opposite movement in the fair value of the debt caused by movement in interest rates.

Cross currency interest rate swaps

The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the GBP/US$ foreign exchange spot rate and in GBP and US$ interest rate yields. Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to profit and loss where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the profit and loss when the underlying portion of US loan notes interest is recognised in profit and loss.

Details of the fair value of the Company's derivative financial instruments are set out in note 20 of the Group's financial statements.

11. Share capital /

	2011 Number of ordinary shares	2011 £m	2010 Number of ordinary shares	2010 £m
Authorised:				
Ordinary shares	**1,500,000,000**	**75.0**	1,500,000,000	75.0
Issued, allotted, called up and fully paid:				
At 1 January	**1,285,146,066**	**64.3**	1,161,268,910	58.1
Issue of shares by the Company	**2,927,460**	**0.1**	123,877,156	6.2
Share capital consolidation	**(117,087,928)**	**–**	–	–
At 31 December	**1,170,985,598**	**64.4**	1,285,146,066	64.3

Movements in called up share capital

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

The Company issued a total of 2,927,460 shares (2010: 123,877,156) in the year with an aggregate nominal value of £146,905 (2010: £6,193,858), 2,927,460 (2010: 7,204,641) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £2,945,497 (2010: £150,253,527).

On 24 October 2011 the Company undertook a 10 for 11 consolidation of Aegis ordinary shares in conjunction with a special dividend of 15.53p per share. This resulted in a reduction in the number of ordinary shares of 117,087,928, and a change in the nominal value of each ordinary share to 5.5p from 5.0p.

In 2010, included within the issue of shares by the Company were 116,672,515 shares issued as consideration on the acquisition of Mitchell Communication Group.

Under the Company's share option schemes, there were outstanding options over 5.1 million ordinary shares of 5.5p each at 31 December 2011 (2010: 8.1 million), for which the participants have the right to exercise their options at prices ranging from £0.78 to £1.48. These options are exercisable between 31 December 2011 and 23 March 2017.

12. Share premium account and reserves /

	Share premium account £m	Capital Redemption reserve £m	Other reserve £m	Merger reserve £m	ESOP reserve £m	Capital reserve £m	Profit and loss account £m	Total £m
At 1 January	395.8	0.2	19.2	13.0	(33.7)	301.4	49.5	745.4
Retained profit for the year	–	–	–	–	–	–	312.9	312.9
Cash flow hedge reserve	–	–	–	–	–	–	3.7	3.7
Share capital subscribed	2.9	–	–	–	–	–	–	2.9
Purchase of shares by ESOP	–	–	–	–	(12.7)		–	(12.7)
Shares awarded by ESOP	–	–	–	–	15.2	–	(15.2)	–
Credit for share-based incentive schemes	–	–	–	–	–	–	11.0	11.0
Dividends to shareholders	–	–	–	–	–	–	(231.5)	(231.5)
At 31 December	398.7	0.2	19.2	13.0	(31.2)	301.4	130.4	831.7

At 31 December 2011, the Aegis Group Employee Share Trust (the "Trust") held 23,333,438 Ordinary shares in the Company (31 December 2010: 28,442,769) with a nominal value of £1.3m (31 December 2010: £1.4m) and a market value of £33.7m (31 December 2010: £40.0m).

The capital redemption reserve represents the conversion, issue and redemption of shares by the company, less expenses.

The other reserve contains the equity component of the convertible bond.

The ESOP reserve represents the cost of shares in Aegis Group plc acquired in the open market by the Trust using funds provided by Aegis Group plc. The Trust has waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's Ordinary shares. The Trust has purchased the shares to satisfy future share awards under the Company's share-based payment schemes.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

For the year ended 31 December 2011

(continued)

13. Profit and loss account /

	2011 £m	2010 £m
At 1 January	**49.5**	54.1
Shares awarded by ESOP	**(15.2)**	(6.4)
Retained profit for the year	**312.9**	24.0
Dividends to shareholders	**(231.5)**	(29.4)
Credit for share-based incentive schemes	**11.0**	8.3
Cash flow hedge reserve	**3.7**	(1.1)
At 31 December	**130.4**	49.5

For the year ended 31 December 2011, dividends paid to shareholders comprise the final 2010 dividend of £21.8m (1.725p per share) and the interim 2011 dividend of £13.7m (1.08p per share). For the year ended 31 December 2010, dividends paid to shareholders comprise the final 2009 dividend of £17.7m (1.54p per share) and the interim 2010 dividend of £11.7m (1.025p per share). On 14 October 2011, following completion of the sale of Synovate to Ipsos SA, the Company declared a special dividend of £196.0m (15.53p per share). The special dividend was paid on 2 November 2011.

The final dividend for 2011, if approved, will be paid on 4 July 2012 to all ordinary shareholders on the register at 15 June 2012.

14. Share-based payments /

The Company recognised a total expense of £1.3m (2010: £1.0m) in respect of all share-based payments in the year. Additionally, the Company recognised an addition to fixed asset investments of the aggregate amount of contributions of £9.7m (2010: £7.3m), with a credit to equity for the same amount. Share-based payments include share options and conditional share awards.

Share options

The Company issues share options to certain employees. The grant price for share options is equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is typically three years. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited if the employee leaves the Company before the options vest and are subject to EPS performance conditions. Further details are provided in the Remuneration Report.

Details of outstanding share options are provided in note 31 to the Group's financial statements.

The weighted average share price at the date of exercise for share options exercised during the period was £1.06 (2010: £1.00). The options outstanding at 31 December 2011 had a range of exercise prices between £0.78 (2010: £0.78) and £1.48 (2010: £1.48), and a weighted average remaining contractual life of 3.4 years (2010: 3.3 years). No options were granted in 2011. The Company did not recognize any expense (2011: £Nil) in respect of share options in the year.

Conditional share awards

The Company issues conditional share awards to certain employees. The vesting period is typically three years. The extent to which awards vest is determined in documented scheme rules and may be based on the employees' continuing employment, the Company's TSR performance relative to a group of similar businesses and the Company's EPS growth. Further details are provided in the Remuneration Report.

The fair value of conditional share awards was determined using a stochastic model using the assumptions given in the table below.

	2011 £m	2010 £m
Weighted average share price	**1.37**	1.19
Expected volatility	**38.0%**	41.0%
Risk free rate	**2.0%**	1.5%
Expected dividend yield	**1.8%**	2.2%

15. Operating lease arrangements /

At 31 December 2011, there were the following annual commitments in respect of non-cancellable operating leases:

	2011 £m	2010 £m
Operating lease payments recognised in expense for the year	**2.2**	0.6
Operating leases that expire		
Between two and five years	**0.5**	0.2
After five years	**1.8**	0.3
	2.3	0.5

16. Principal subsidiary and associated undertakings /

All shareholdings are of ordinary shares.

All of the principal subsidiary and associated undertakings are disclosed below. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation and operation	Effective interest in issued share capital at 31 Dec 2011
Principal subsidiary undertakings		
Aegis Media France S.A.S	France	100%
Aegis Media Iberia S.L.	Spain	100%
Aegis Media (Central Europe & Africa) GmbH	Germany	100%
Carat Nordic AB	Sweden	100%
Aegis Media Italia Srl	Italy	100%
Aegis Media Ltd	England and Wales	100%
Eaton Gate Inc	US	100%
Aegis Media Pacific Limited	England and Wales	100%
Aegis Australia Holdings Pty Ltd	Australia	100%
Aegis Finance (Guernsey) Limited	Guernsey	100%
Principal associated undertakings		
Charm Communications Inc	China	15.8%

On 12 October 2011, the Group completed its disposal of the Synovate division to Ipsos S.A. As part of this transaction, Aegis Group plc (Company) disposed of two subsidiaries: Synovate (Holdings) Ltd and Synovate Healthcare Ltd, for consideration of £127.5m, realising a gain on disposal of £102.5m (excluding transaction costs).

GLOSSARY OF TERMS

Total Group
The Retained Group and Synovate.

Retained Group
Aegis Group plc and its subsidiaries, excluding Synovate, the disposed division during the financial year, but including Aztec.

Aegis Media
The media services division of Aegis Group plc.

Synovate
The market research division that was disposed of during the financial year.

Aztec
The scan data services provision business of Aegis Group plc.

Billings
The annualised value of media purchased and/or managed on behalf of clients, before agency discounts.

Turnover
Represents amounts billable for media handled by the Group on behalf of clients, together with fees earned for media and research services provided, net of discounts, VAT and other sales-related taxes.

Revenue
The value of media and research fees and commission earned by the Group.

Gross profit
Media and research income after deduction of all direct costs.

Gross margin
Gross profit stated as a percentage of turnover.

Operating profit
Gross profit less operating expenses.

Operating margin
Operating profit stated as a percentage of revenue.

Net new business
The estimated annualised value of media billings gained less the estimated annualised value of media billings lost.

Reported growth
Reported growth represents the year on year growth including the effect of new businesses acquired or disposed of during the year and movements in exchange rates.

Organic growth
Organic growth represents the constant currency year on year growth after adjusting for the effect of businesses acquired or disposed of since the beginning of the prior year. This is calculated by comparing current period reported revenue to prior period revenue, adjusted for pre-acquisition or pre-disposal revenue as applicable, and stated at constant exchange rates, in order to derive like-for-like growth.

Constant currency results
Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates.

Underlying results
Underlying operating profit, underlying profit before interest and tax, underlying profit before tax, and underlying profit after tax are operating profit, profit before interest and tax, profit before tax, and profit after tax respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items"). In the opinion of the Directors, such adjusting items are material by nature or amount and may include impairment charges, profits and losses on disposals of investments, amortisation of purchased intangible assets (being amortisation charged on separately identifiable intangible assets in acquired businesses), acquisition costs in relation to business combinations, fair value gains and losses on the revaluation of deferred consideration, revaluation of derivatives, fair value gains and losses on liabilities in respect of put option agreements, and one-off items which are material by nature or amount in the opinion of the Directors, and any related tax thereon, as appropriate. Adjusting items may also include specific tax items such as deferred tax liabilities for tax deductions taken in respect of goodwill, where a deferred tax liability is recognised even if such a liability would only unwind on the eventual sale or impairment of the business in question.

Adjusting items are classified as operating, non-operating and financing according to the nature of the underlying income or expense.

Goodwill
The difference between the fair value of purchase consideration of a business as a whole and the aggregate fair value of its identifiable net assets.

Non-controlling interests
Partial ownership of subsidiary undertakings by external shareholders.

Faster growing regions
Faster growing regions comprise Latin America, Central and Eastern Europe, Asia Pacific, and the Middle East and Africa.

Enterprise value
The disposal value of Synovate based on a set level of working capital and on a nil-cash, nil-debt basis.

DIRECTORS AND ADVISORS

Directors /
John Napier, non-executive Chairman
Jerry Buhlmann, Chief Executive Officer, Aegis Group plc and Aegis Media
Harold Mitchell, Executive Chairman, Aegis Media Pacific (Australia and New Zealand)
Nick Priday, Chief Financial Officer, Aegis Group plc and Aegis Media
John Brady, non-executive
Simon Laffin, non-executive
Martin Read, non-executive
Charles Strauss, non-executive
Lorraine Trainer, non-executive

Company secretary /
Andrew Moberly

Ultimate parent entity /
Aegis Group plc

Registered office /
10 Triton Street
Regent's Place
London NW1 3BF
Tel: 020 7070 7700
Fax: 020 7070 7800

Registered number /
1403668 England and Wales

Auditors /
Ernst & Young LLP
London

Registrars /
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
www.investorcentre.co.uk
Tel +44 (0) 870 889 3174

Solicitors /
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Financial advisers /
J.P.Morgan Cazenove
6th Floor, 10 Aldermanbury
London EC2V 7RF

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

The paper used in this report is produced with FSC® mix pulp which is fully recyclable, biodegradable, pH Neutral, heavy metal absence and acid-free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

Fulmar Colour is FSC certified, PEFC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. Fulmar Colour aim to reduce at source the effect their operations have on the environment, and are committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Fulmar Colour is a CarbonNeutral® Printing Company.

MIX
Paper from responsible sources
FSC® C016486
www.fsc.org

ISO 14001 REGISTERED

Designed and produced by **MAGEE**
www.magee.co.uk

Printed by Fulmar Colour

You can access more information about us on our website

www.aegisplc.com

Aegis Group plc 10 Triton Street, Regent's Place, London, NW1 3BF United Kingdom.